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# DISSERTATION

## Recalibrating Alliance Contributions

Changing Policy Environment  
and Military Alliances

Tatsuro Yoda

This document was submitted as a dissertation in June, 2005 in partial fulfillment of the requirements of the doctoral degree in public policy analysis at the Pardee RAND Graduate School. The faculty committee that supervised and approved the dissertation consisted of Charles Wolf, Jr. (Chair), Kevin Lewis, and Greg Treverton. Richard Zeckhauser was the outside reader for the dissertation.



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## Abstract

According to the U.S. National Security Strategy in 2003, the U.S. needs to "strengthen alliances to defeat global terrorism and work to prevent attacks against us and our friends." The policy question explored in this study is how to encourage "our friends" to provide contributions (alliance contributions) that are more beneficial to "us."

In Part I, after reviewing previous research, I construct two conceptual models on alliance contributions to analyze their change, or burden-shifting: the economic model and the policy process model on alliance contributions. The first model is based on previous studies in public economics and international relations. From this model, I found various kinds of conditions for the change in provision of contributions in terms of types and sizes in relationship to the internal and external environment. The second and complementary model is based on the agenda-setting theory in public policy studies. From this model, I found a condition to bring about a large and sudden change in alliance contributions.

In Part II, I apply an analytic framework based on the conceptual models to Japan's contributions to the U.S.-Japan alliance, for examining the validity of the models and showing their practical utility for analysis. First, I examine Japan's Host Nation Support program (HNS) for the U.S. Forces in Japan. Second, I examine Japan's alliance contributions and the background environment in the U.S.-Japan alliance during the 1970s, 1980s and 1990s. From those, I found key causes to bring about the change of Japan's alliance contributions and that the causes support the conditions pointed out in the theory.

In Part III, I analyze the future of the U.S.-Japan alliance based on the analytic framework used above. First, I analyze the mid to long term case (10-20 years). I found the plausible direction of changes in Japan's alliance contributions, possible "fault lines" in the base case scenario, and how the U.S. can influence the direction. Second, I analyze the short term case, focusing on the next Special Measures Agreement for the HNS from April 2006. I found the plausible Japan's stance towards the SMA and effective U.S. negotiation tactics to it.



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I am solely responsible for any errors that may still remain.

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## *Chapter 1*

### *Introduction*

#### *Policy context*

Since the terrorist attack on the U.S. in September 2001, both bilateral and multilateral alliances of the United States have faced a new challenge: to win the global war on terrorism. The threats coming from the global terrorist network complicate another problem which has been ongoing since the end of the Cold War: regional instability surrounding failed or rogue states. The U.S. is revising its military strategy to cope with the situation. According to the U.S. *National Security Strategy*<sup>1</sup>, the U.S. needs to “strengthen alliances to defeat global terrorism and work to prevent attacks against us and our friends.” As a key element of the new military strategy, alliances of the U.S. need to cope with these new challenges quickly and appropriately.

An alliance is a mechanism that makes possible “collective action,” that is, action whose realization needs the efforts of two or more individual entities. Allies need to prepare collectively during peacetime and to act collectively when necessary. By providing “*alliance contributions*”<sup>2</sup> such as weapons or money, alliance members build up a common resource pool (*prepare*), and respond jointly and effectively to common military threats (*act*). My proposition is that as the nature of military threats and alliance’s environment changes, an alliance needs to adjust the common resource pool, and for that purpose, the U.S. and its partners need to *recalibrate alliance contributions*. To cite a few examples, U.S. allies might recalibrate their contributions by increasing logistical support for U.S. military activity, joint efforts to track terrorist funding sources, or financial contributions.

Cooperation among countries has become more and more important due to globalization in finances and markets. Similarly, cooperation in military affairs is necessary as terrorists’ activities globalize and weapons of mass destruction spread beyond national boundaries.<sup>3</sup> The importance of cooperation makes it worthwhile to devise a way to make alliances *adaptive* to changing situations.

However, adjustment of alliance contributions cannot occur without conscious efforts by allies, and sometime allies are reluctant to make adjustments. The two examples below illustrate different responses to the need to adjust alliance contributions.

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<sup>1</sup> White House, *The National Security Strategy*, September 2002, p.1.

<sup>2</sup> The word “alliance contributions” was first used in “Deterrence, Defense Spending, and Elasticity: Alliance Contributions to the Public Good,” by Glenn Palmer, *International Interactions*, Vol.17 No.2, 1991, pp157-169.

<sup>3</sup> Gompert, David C. and Richard L. Kugler, “Rebuilding the Team: How to Get Allies to Do More in Defense of Common Interests,” *Issue Paper*, RAND, IP-154, September 1996. The authors argued that “For military, economic, and political reasons, U.S. strategy must make room for U.S. allies, and allies must step up to their responsibilities. The issue, in our view, is not whether this should be done but how.” (p.1)



[Example 1]

In the bilateral U.S.-Japan military alliance, the Japanese government has continually reshaped and revised the composition of its military and financial contributions since the late 1970s. For example, Japan's Host Nation Support (HNS) program began in 1978, and the Japanese government had been increasing the size of the program from the late 1970s to the mid 1990s. In addition to the program, the U.S.-Japan security alliance has been expanding the scope of cooperation since the 1990s.

The current international situation and U.S. efforts in the war on terrorism have given further momentum to the need to recalibrate alliance contributions. In 2001, the Japanese government dispatched destroyers and C-130 cargo planes to support U.S. and coalition military operations by providing fuels in the Indian Sea and carrying supplies from Guam to Diego Garcia. This was the first time Japan has supported U.S. forces directly engaged in a war.

[Example 2]

To fight the war against Iraq in 2003, the U.S. made diplomatic efforts to organize support from the so-called "coalition of the willing" countries.<sup>45</sup> The countries that constituted the coalition provided troops, basing rights, and rear-area logistical support, and the U.S. expects those countries to provide financial support or support for reconstruction and nation-building after the war. However, the list of the "coalition of the willing" does not include some traditional allies, including France and Germany. The non-participation of traditional allies may have revealed limitation of traditional alliances or may reflect the need to understand how, in the future, traditional alliances could better adapt to new situations.<sup>6</sup>

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<sup>4</sup> Alliances are based on formal and rigid international treaties to cope with existing but unrealized threats, whether in the form of mutual defense, neutrality, or consultation. Coalitions are based on informal and loose agreements to cope with already realized specific issues in an ad-hoc manner. Coalitions differ from alliances in terms of formality and specificity, but they are the same in that they form the basis for "collective action," which may not take place without either type of arrangement.

<sup>5</sup> U.S. Secretary of State Colin Powell said on those countries on March 18, 2003 that, "I hope that they will all be able to do everything that is possible within their means to support the coalition militarily, diplomatically, politically and economically" ("Coalition of the Willing Provides Formidable Force," by Jim Garamone, *American Forces Press Service*, defenselink.mil, March 19, 2003). The 30 countries on the list of the U.S. State Department include Afghanistan, Albania, Australia, Azerbaijan, Bulgaria, Colombia, the Czech Republic, Denmark, El Salvador, Eritrea, Estonia, Ethiopia, Georgia, Hungary, Italy, Japan, South Korea, Latvia, Lithuania, Macedonia, the Netherlands, Nicaragua, the Philippines, Poland, Romania, Slovakia, Spain, Turkey, United Kingdom and Uzbekistan.

<sup>6</sup> Some pointed out continuing importance to the U.S. of NATO allies in Europe, saying that "The United States still needs its European allies not primarily for their military contributions – although even that could change in a few years if Washington continues to run up massive fiscal deficits and expands its military commitments around the world. Rather, even an all-powerful America will need Europe's political support, military bases, cooperation in international organizations, peacekeepers, and police, money, diplomatic help with others, and general good will" (Gordon, Phillip H., "Bridging the Atlantic Divide," *Foreign Affairs*, January/February 2003, p.81, pp.70-83).

What factors determine whether the adjustment process goes smoothly or not? Under what conditions do military alliances adapt? And how and in which direction? How can one ally affect other allies' behaviors? To answer these questions, we need to identify lessons from past experiences and to develop a theory/framework to understand both how alliances adapt as well as the limits of adaptation. We need to examine what can be changed in alliances to allow them to cope more effectively with new situations and to identify the limits of alliance while initiating a conscious effort to change it.

#### *Research questions*

This dissertation explores the following questions regarding alliances:

- How should and do allies decide types and magnitudes of alliance contributions? How should be and is the decision related to environment?

#### *Proposition*

I intend to explore in this dissertation the proposition that “an alliance adapts to its environment by changing alliance contributions.”<sup>7</sup> The exploration of this proposition necessitates the analysis of the mechanism of adaptation as well as the limits on alliances' ability to adapt, as a continuous process of recalibration of alliance contributions among allies.

#### *Methodology*

I use the following methods in this dissertation for exploring the research questions and for furthering the line of argument in the previous sections:

- 1) make conceptual or theoretical models on alliance contributions and look at how alliance contributions change according to environmental changes,
- 2) look at a case (U.S.-Japan alliance in the past 35 years), based on the analytic framework derived from the conceptual models, and check the consistency of the prediction derived from the conceptual models with reality, and
- 3) apply the conceptual models on the future shape of alliance contributions (how can the U.S. affect them?) for examining the practical utility of the approach for policy analysis.

#### *Research concept*

As I will discuss in Chapter 2, most previous research on alliance contributions relates to the theory of collective action, and in particular to the “unbalancedness” or disproportionality in burden-

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<sup>7</sup> On condition that adaptation is preferable to choosing another security policy option for allies.

sharing between the U.S. and other NATO countries. As opposed to measuring or theorizing on disproportionality in burden-sharing in a static and steady state, this study seeks to determine how alliance members can find a prospect for mutual gain by *burden-shifting* in a changing situation.

When a security environment of alliance changes, alliance members have three policy options: (1) to maintain the alliance without adaptation, (2) to maintain the alliance while adapting it to the new environment, or (3) to abandon the alliance and choose another security policy option (see Figure 1.1). Examples of change in environment include change in the type or intensity of threats, emergence of more attractive security policy options (for example, caused by technological progress) outside of alliance, or change in allies' characteristics such as their capabilities and preferences. At one end of the policy spectrum, option (1) has merit if the change does not alter the effectiveness of the current framework, or if allies expect the change to be temporary. At other end of the policy spectrum, option (3) would be preferable if it is not possible to adapt the alliance to changing situations and would be better therefore for allies to abandon the alliance and choose another policy option such as strengthening defense capability specific to each ally's need and using the capability without being distracted or distorted by old alliance commitment. In the middle of this policy spectrum under option (2), each ally adjusts its contribution to increase the effectiveness of alliance, while maintaining various institutions, organizations, trust among people, or military interoperability, etc. built by allies to that point in time.

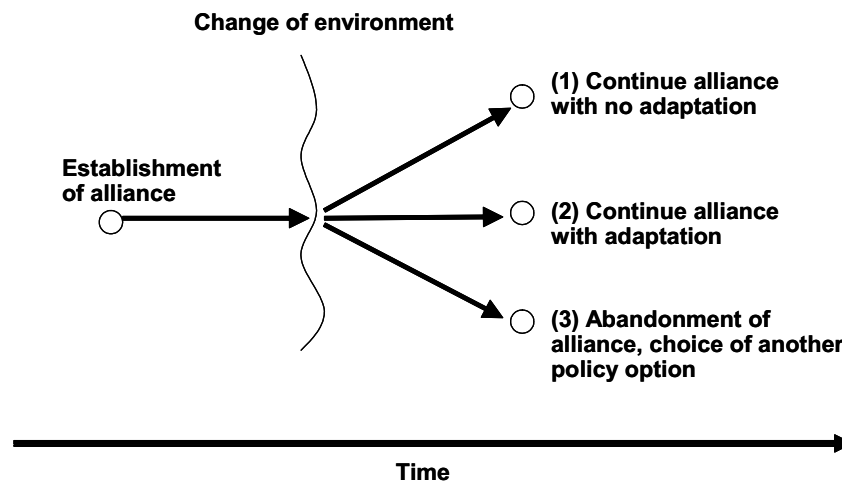


Figure 1.1 – Environment change and alliance

The “alliance contributions” provided by allies build up “alliance goods” for the alliance. In option (2), the difficulty of the adaptation would depend on the gap between the current alliance goods and those alliance goods which are the most optimal, in terms of type and size, to the changed environment. In addition, the difficulty of adaptation would depend on the overlap among each ally's interest in changing the composition of alliance contributions. Attributes of the alliance as an

“institution” are another important factor; these include the alliance’s ability to quickly grasp the nature of the changing environment, its feedback mechanism, flexibility (decision, organization, and procedure), responsiveness, experimentation to enable innovation, history, and its mechanism for institutional learning. Any adaptation involves costs for coordination and for producing new alliance contributions.

The relationships among allies’ decisions on alliance contributions to make alliance goods are complex (Figure 1.2). The figure depicts two allies, each of which contributes to and draws from a common pool of alliance goods (shown at the center of the figure). Alliance goods provide benefits to an ally (1) and the benefits provide incentives to the ally for further alliance contributions (2). Changes in alliance contributions depend on the weight given by each ally to each type of alliance contribution in terms of the contribution’s benefit as a whole (=utility function), plus the cost of each type of alliance contribution. Allies are different in benefit derived from alliance goods, costs to provide alliance goods, and incentive to provide alliance contributions, and benefits, costs, and incentives can change over time. In addition, changes in alliance contributions depend on the ways in which allies interact (3).

I explain each of these concepts in more detail below.

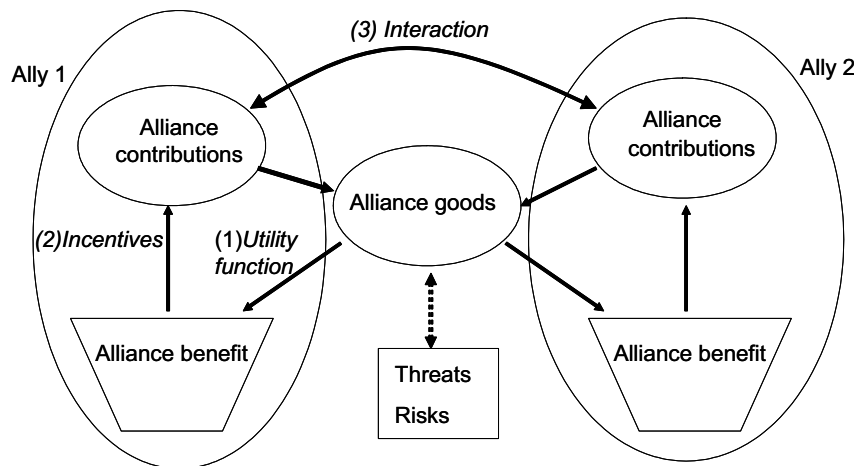


Figure 1.2 – Alliance contributions, alliance benefits and alliance goods (two-country alliance case)

#### a. Alliance contributions

There are various kinds of alliance contributions, such as soldiers, weapons, money, bases, infrastructure, provision of battlefield, or right of way in the air. Therefore, I can describe these

contributions as a vector (vector:  $X=(x_1, x_2, x_3, x_4, \dots)$ ) that is composed of elements of each type of alliance contribution<sup>8</sup> This vector might be considered a policy package or a policy portfolio.

The vector is composed of “public goods.” A public good is characterized by non-excludability and non-rivalry. For example, a lighthouse might be considered a public good because no one at sea is excluded from seeing it (“non-excludability”), and an individual’s sighting of the lighthouse does not reduce the amount of the service of lighthouse for others (“non-rivalry”). (In contrast, “private good” is characterized by the absence of both of these conditions, that is, excludability of consumers and rivalry in consumption.) The reason why elements of public goods compose the vector is that if the good is not public good but private good, the benefits from alliance goods do not accrue to all allies, which does not explain why allies decide to establish an alliance and pool alliance goods to share.

In addition to public goods, elements of the vector may include “impure public good” (definition: good to which “non-excludability” and “non-rivalry” conditions partly apply. For example, when you use a road, your using the road does not usually reduce the service of the road for others. But if the road is narrow enough, your using the road reduces the service for others, but the reduced service for others may be less than the amount of the service you uses. In this case, the non-rivalry condition partly applies.). For example, if an ally has a weapon, the ally may exclude another ally from receiving the benefit of the weapon, but the exclusion may not be 100%.

#### b. Alliance cost

Alliance cost is the cost necessary for an ally to provide its alliance contributions. I consider that a cost function links a “vector” of alliance contributions to the cost that it takes for an ally to provide the alliance contributions that the vector represents. Government defense spending includes most of the cost, but does not include some of alliance contributions such as provision of military bases for other allies. One may be able to estimate those costs using opportunity costs, but costs of some of alliance contributions, such as diplomatic support of allies’ security policy, are difficult to quantify by monetary values, thus I need to discuss them using a concept other than monetary value. “Autonomy”, which I will explain, is one concept for such discussion.

#### c. Alliance good

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<sup>8</sup> There are two kinds of models on what constitute alliance contributions. One is symmetric model or power-aggregation model where alliance contributions made by allies are aggregated. Allies contribute military capability. Pooling of capabilities enhances effectiveness and efficiency of security. Another is asymmetric model based on specialization and division of tasks. One ally provides mainly military security and another ally mainly provides other goods (basing location, policy autonomy, etc) (Morrow, James D., “Arms versus allies: trade-offs in the search for security,” *International Organization*, 47, 2, Spring 1993, pp.207-233.) The model assumes that allies exchange different kinds of goods. Both models are the same in that allies provide “alliance contributions” to the alliance, thus increasing the type and size of alliance goods available. In reality, those cases coexist.

I define alliance good as aggregation (usually simple sum as an approximation) of the vector of alliance contributions from all allies.

d. Alliance benefit

I consider that a utility function links a vector of alliance goods to the benefit of the alliance for each ally. Each country has a different utility function. Since there are various kinds of benefits from the alliance -- such as an increase of military capability or access to strategic location -- I can describe benefits as a “vector,” each of whose elements is a function of the sum of “alliance contribution vectors” from all allies. Representative policy-makers in each country<sup>9</sup> attach weights to each element of the vector to derive the aggregate level of benefit or utility. Weights, which are changeable, reflect differences in each country’s taste or preference.

e. Interaction of allies

I consider that each member of the alliance has a different incentive to contribute to the alliance, since the tastes for alliance goods are different among allies, and each ally wants to obtain more of some part of alliance goods and less of another part according to its preference. Some contributions are more costly to provide than others. The incentives of allies lead to an interactive process that proceeds based on the past accumulation of knowledge about other allies’ behavior and involves learning about each other’s tastes. Alliance members make decisions on their alliance contributions based on expectations about each other’s alliance contributions as well as reflections on a changing environment, making the decision-making process interactive.

f. Alliance adaptation

Alliance adaptation takes place when the effectiveness (or/and quality) of alliance goods in an environment increases as a result of the process above.

g. Burden-shifting

These changes have to go through a political process of each country. In order to have a major shift in types and size of alliance contributions, the policy issue needs to become a major agenda for policy-makers.

*Conceptual model*

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<sup>9</sup> Bruno de Mesquita assumes in his theory on war decisionmaking that “ultimate responsibility rests in the hand of single policy maker charged with the final duty of approving a decision to wage war,” since “to implement ... any other group-centered view, one must know each individual’s preferences and his weight in the group, information that is generally all but impossible to obtain. Indeed, these factors may vary so much that we should not expect to know them even in principle.” (Bruno de Mesquita, Bruce, *War Trap*, 1981, pp.20-27)

First component of the study is to build conceptual models on alliance contributions based on the research concept and previous research on alliances (public economics, international relations, and public policy studies).

#### *Case study*

Second component of the study is a case study of the U.S.-Japan security alliance. The purpose is to see how the conceptual models fit the data, and practical utility of analytical framework derived from the models. Both Japan's Host Nation Support (HNS) program and a package of Japan's alliance contributions are analyzed.

#### *Application*

Third component of the study is to see how the model can suggest policy prescriptions for the future. Plausible changes in Japan's contributions to the U.S.-Japan alliance both in the mid to long term and the short term is examined and the possible U.S. policy is analyzed. Thomas Schelling argues in 1958<sup>10</sup> that "Many of these problems [cost-sharing arrangements] are not soluble by logic or analysis; they require value judgment, negotiated compromises, or arbitrary decision." (p.470) In this study, I do not intend to develop a formula for appropriate level of alliance contributions or HNS, but I intend to provide some framework for analysis which is useful for thinking about policy options on HNS and other items of alliance contributions.

#### *Organization*

Chapter 2 explains the research background. Chapter 3 explains the conceptual models on alliance contributions. Chapter 4 to 6 examines the conceptual models and analytic framework by using the U.S.-Japan security alliance in the past as a case. Chapter 7 and 8 applies the framework for policy analysis of alliance contributions in the future. Chapter 9 concludes.

#### *Data*

Quantitative data on alliances available for studying this topic is limited. I collect data mainly from official public records of the governments. Those include congressional records, budgetary data, and government policy documents. As budget data and government document, the report *Allied Contribution on Common Defense* published every year by the U.S. Department of Defense or white papers on defense policy are available. As congressional record (discussion on issues related to alliance relationship), database on Japan's Diet, <http://kokkai.ndl.go.jp/> (Minutes of the Diet and

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<sup>10</sup> Schelling, Thomas C., "International cost-sharing arrangements" *International Economics*, pp.462-486, 1958, Allyn/Bacon.

Diet committees, 1947-2003), or Thomas database on the U.S. Congress, <http://thomas.loc.gov/> (Congressional record, 1989-2003, Bill record, 1973-2003) are available. I use public opinion polls conducted by Japan's Cabinet Office and databases on major newspapers for analyzing opinions on defense issues.





*Part I:*

*Theory*



## *Chapter 2*

### *Research background*

The purpose of this chapter is to shed light on my approach in relation to previous research about public goods, alliance formation, and interactive processes. The models developed for analysis on alliances in theories on public goods and alliance formation are used for the conceptual model of this study.

Before examining previous studies, I need to define “military alliances.” There are various kinds of definitions of “military alliance” which have been used in different approaches and for various purposes.<sup>1</sup> In this study, an alliance is broadly an “agreement between two or more nations to collaborate on national security issues.”<sup>2</sup>

Scholars in public economics and international relations studies have analyzed military alliances. In public economics, scholars have examined the problem of collective action<sup>3</sup> and analyzed the pattern of alliance burden-sharing by using public (collective) good theory. In international relations studies, such topics as alliance formation (why/when alliance is concluded, reviewed in this section), alliance reliability<sup>4</sup>, alliance behavior<sup>5</sup>, alliance duration,<sup>6</sup> and alliance’s

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<sup>1</sup> For example, alliances are “techniques of statecraft, international organizations, or regulating mechanisms in the balance of power.” (Holsti, Ole R., P. Terrence Hopmann, and John D. Sullivan, *Unity and Disintegration in International Alliances: Comparative Studies*, Chapter 1, Wiley-Interscience Publication, 1973. p.3.) Since alliance is contingent on future events, alliances are “promises” (Morrow, James D., “Alliances, Credibility, and Peacetime Costs,” *Journal of Conflict Resolution*, June, 1994, p.270.), “a pledge of future coordination between allies” (Morrow, James D., “Alliances and Asymmetry: An Alternative to the Capability Aggregation Model of Alliances,” *American Journal of Political Science*, Volume 35, Issue 4, November 1991, pp.904-933.), or a commitment on future action (Gates, William R., and Katsumi L. Terasawa, “Commitment, Threat Perceptions, and Expenditures in a Defense Alliance,” *International Studies Quarterly*, Vol.36, 1992, pp.101-118). According to Olson and Zeckhauser, alliances exist to serve “the common interests of the member states” and “to protect the member nations from aggression by a common enemy” (Olson, Mancur, and Richard Zeckhauser. “An economic theory of alliances,” *Review of Economics and Statistics*, Volume 48. 1966. pp.267.). Small and Singer distinguish three types of alliances: defense pacts (signatories agree to come to each other’s mutual defense), neutrality or nonaggression pacts (signatories agree not to declare war against each other), and ententes (signatories agree to consult). (Small, Melvin and J. David Singer, “Formal Alliances, 1816-1965: An Extension of the Basic Data,” *Journal of Peace Research*, 1969, No.3, p.261.) As Holsti et al. (1973) pointed out, there is no universally accepted or applicable definition of alliances, and the use of word depends on what kind of analysis is done on it.

<sup>2</sup> This is the revision of the definition “formal agreement between two or more nations to collaborate on national security issues” (Holsti, et al., p.3.) to make the definition broader. See footnote 4 in Chapter 1.

<sup>3</sup> Olson, Mancur, *Logic of Collective Action: Public Goods and the Theory of Groups*, Harvard University Press, 1965. pp.35-36.

<sup>4</sup> For example, Leeds, Brett Asley, Andrew G. Long and Sara McLaughlin Mitchell, “Reevaluating Alliance Reliability: Specific Threats, Specific Promises,” *Journal of Conflict Resolution*, Vol.44 No.5, 2000, pp.686-699. Measurement on reliability of alliance commitment by Bueno De Mesquita, Bruce, *The War Trap*, Yale University Press, 1983; and by Bueno de Mesquita, Bruce, “Measuring Systemic Polarity,” *Journal of Conflict Resolution*, Vo.19 Issue 2, June 1975, p.194.

<sup>5</sup> Analysis on change in commitment level among alliance members using probit function by Berkowitz, Bruce D., “Realignment in International Treaty Organization,” *International Studies Quarterly*, 27, 1983, pp.77-96.

effects on peace and war have been studied..<sup>7,8</sup> Alliance adaptation and alliance contributions, which I explore in this dissertation, are related to burden-sharing and alliance formation. So, prior research in these areas is especially relevant to this work.

## 2-1. Collective goods model

Olson and Zeckhauser first applied the concept of public goods to the study of military alliances in 1966. Their research<sup>9</sup> attracted much interest among economists and political scientists, and research in this field produced new insights into the distribution of burdens within alliances from an economic perspective. According to the theory of collective goods, economists understand a military alliance as an international agreement for providing allies with deterrence against an enemy. Economists think that deterrence has a character of public good.

- If one ally spends its budget for purchasing military equipment to increase deterrence against the alliance's enemy, other members of the alliance can consume, or "free-ride" on, the increased deterrence without reducing the consumption of deterrence for other allies (non-rivalry).
- The ally which spends its budget cannot exclude other allies from consuming the increased deterrence at will (non-excludability).

Due to this characteristic of deterrence as public good and the free-rider problem associated with it, the larger ally tends to bear a larger share of the burden for maintaining the alliance ("disproportionate" burden-sharing).<sup>10</sup> Intuitively, burden-sharing becomes disproportionate because a larger ally appreciates the value of deterrence more than a smaller ally does.<sup>11</sup> As a result, the larger ally has an incentive to provide most of deterrence, and the smaller ally provides none or very little of deterrence if from the smaller ally's standpoint the larger ally already provides above or near the

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Rational choice model on alliance behavior using autonomy and security concept by Morrow, James D., "On the Theoretical Basis of a Measure of National Risk Attitudes," *International Studies Quarterly*, 31, pp.423-438.

<sup>6</sup> Bennett, D. Scott, "Testing Alternative Models of Alliance Duration, 1816-1984," *American Journal of Political Science*, Vol.41 Issue 3, July, pp.846-78, 1997.

<sup>7</sup> For example, Holsti, et al., 1973.

<sup>8</sup> Categorization of studies on alliances by Holsti, et al., 1973 includes alliance formation, alliance performance, alliance duration and disintegration, international effects of alliances, and national effects of alliances (pp.3-43).

<sup>9</sup> Olson and Zeckhauser, 1966.

<sup>10</sup> The words, large or small, in this paragraph refer to the size of population in a country or size of economy as is defined by gross national product of the country, which could be lost as a result of a breakdown of alliance's deterrence.

<sup>11</sup> See van Ypersele de Strihou, Jacques, "Sharing the Defense Burden Among Western Allies," *The Review of Economics and Statistics*, Vol. 49, Issue 4, Nov. 1967, pp.527-536 on analysis on sharing of defense burdens based on the categorical assessment of burden's costs and benefits for each ally. Early literature that is for disproportionate burden-sharing based on progressive tax principle by Kravis, Irving, and Michael W.S. Davenport, "The Political Arithmetic of International Burden-sharing," *The Journal of Political Economy*, Vol.71 Issue 4, August 1963.

optimal level of deterrence. In this way, the smaller ally can free-ride on the contribution of the larger ally.

In Figure 2.1, I illustrate the optimal levels of deterrence for large and small allies. Where I assume constant cost of production of deterrence, small ally's production of deterrence is zero, since the amount of deterrence which is optimal (marginal cost=marginal benefit) for smaller ally is less than the amount of deterrence which is optimal for large ally. In this case, only the large ally provides deterrence and the sum of deterrence is equal to the large ally's production of deterrence.

Second, "suboptimality" from the standpoint of an alliance (which is different from the standpoint of each ally) takes place because a contributor to deterrence can obtain only part of the marginal utility from one more unit contribution of deterrence. As a result, each ally increases the level of deterrence up to the point where marginal utility for the ally becomes equal to its marginal cost. That point is in Nash equilibrium, that is, the point where either of the allies does not have an incentive to change the level of production of deterrence, on the condition that all other allies do not change it.<sup>12,13</sup> However, combined marginal benefit derived from one more unit production of

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<sup>12</sup> Formally, let us define utility function for large and small allies as  $U_l(R, D)$  and  $U_s(R, D)$ . Expressions inside utility function are consumption of private goods,  $R$ , and defense goods,  $D$ , which is public good. Production of  $D$  for large and small allies is, respectively,  $d_1$  and  $d_2$ . On the other hand, consumption of defense goods  $D=d_1+d_2$ , since defense good is public good. Each ally tries to maximize utility given budget constraint  $I_l$  and  $I_s$ , by changing the allocation for consumption of private goods and defense goods. The price of private goods is numeraire ( $=1$ ), and defense good is  $p$ . First order condition for Pareto optimal production of defense goods is ( $MRS$  =marginal rate of substitution, which is equal to marginal utility of defense good divided by marginal utility of private good)

$$MRS_{DR}^S + MRS_{DR}^L = p \quad (1)$$

That is, the sum of the marginal rate of substitution of defense good to private good is equal to the cost of one more unit of defense good, which is constant at  $p$ .

However, first order condition for Nash equilibrium is

$$MRS_{DR}^S = MRS_{DR}^L = p \quad (2)$$

(This equality is not valid if the Nash equilibrium is a corner solution as point  $B_4$  and  $B_5$  in Figure 2.2 or point  $B$ ,  $B_1$  and  $B_2$  in Figure 2.3. In these figures, horizontal axis measures the provision of defense good and vertical axis measures the provision of private good for small country. Spillover of defense goods from large country ( $AA_1$ ,  $AA_2$ ,  $AA_3$ ,  $AA_4$ , and  $AA_5$  in Figure 2.2, and  $AA_1$  and  $AA_2$  in Figure 2.3) shifts the budget constraint for small country to the right. As a result, Nash equilibrium for small country shifts from the point  $B$  where there is no spillover to the point  $B_1$  -  $B_5$  in Figure 2.2, and  $B_1$  and  $B_2$  in Figure 2.3. Responding to the spillover of defense good from large country, provision of defense good by small country decreases from  $d$  to  $d_1$ ,  $d_2$ ,  $d_3$ ,  $d_4$ , and  $d_5$  in Figure 2.2. Figure 2.3 shows the special case where defense good is lumpy and indivisible, such as the case of deterrence provided by nuclear umbrella. Provision of defense goods by small country is always zero in Figure 2.3, although the zero-provision is not always valid in the case of lumpy and indivisible public goods. In those corner solutions,  $MRS$  for small country is not equal to  $p$ , but is less than  $p$ . In this case, instead of (2), the following (3) applies.)

$$MRS_{DR}^S < p, MRS_{DR}^L = p \quad (3)$$

Since the assumption is that marginal utility of defense good is decreasing, when  $(d_1, d_2)^*$  satisfies equation (1) and  $(d_1, d_2)$  satisfies equation (2) (which is not a corner solution as in Figure 2.1),  $(d_1, d_2)^* > (d_1, d_2)$ . (On the other hand, if  $(d_1, d_2)^*$  satisfies equation (1) and  $(d_1, d_2)$  satisfies equation (3) (which is a corner solution),  $d_1^* > d_1$ ,  $d_2^* > d_2 = 0$ ). The proof is based on Sandler, Todd, *Collective Action: Theory and Applications*, University of Michigan Press, 1992, p.26-35. I added treatment of corner solutions to the proof.

deterrence is larger than its marginal cost on that point, thus the point is suboptimal. The sum of deterrence, which is equal to the amount of production that large ally make ( $D(\text{large})$  in Figure 2.1), is less than the optimal level of joint production by large and small allies ( $D(\text{large and small})$ ).<sup>14</sup> This is sub-optimality (different from free-riding problem that I mentioned about Figure 2.1).<sup>15</sup>

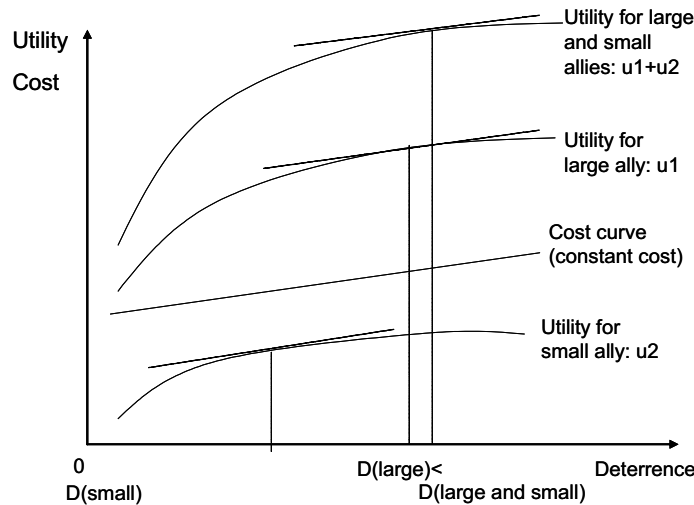


Figure 2.1 – Optimal level of deterrence for large and small allies<sup>16</sup>

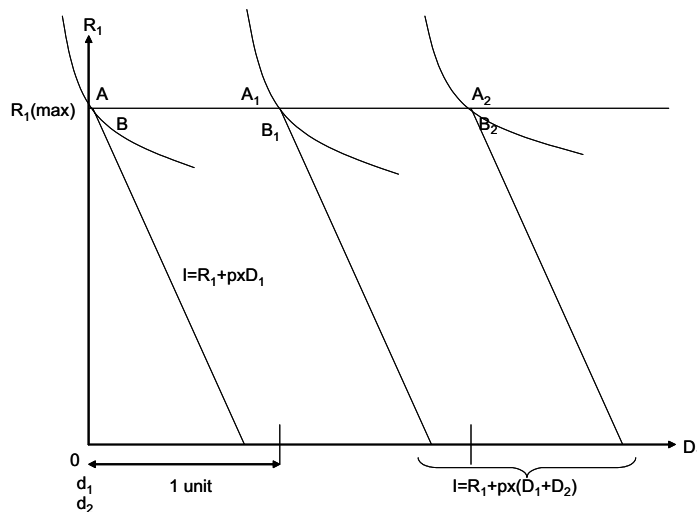
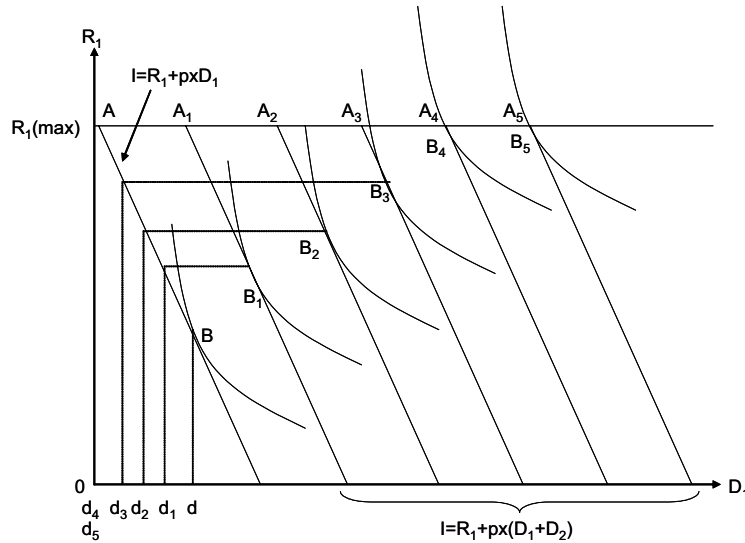
<sup>13</sup> If it is agreed that the cost sharing for the provision of marginal units of public goods is based on each ally's marginal benefit from the provision of marginal unit of the good and each ally declares its true value of experienced marginal benefit, the provision of the good can be increased up to the point of optimality (Lindahl equilibrium). Although the problem of dis-proportionality and sub-optimality can be avoided by this, this cost-sharing arrangement is difficult to implement since it is difficult to agree on how to measure quantitatively the marginal benefit for each member. See Olson, Mancur, "Increasing the Incentives for International Cooperation," *International Organization*, Volume 25, Issue 4, Autumn, 1971, pp.866-874.

<sup>14</sup> Application of collective good model to a case other than NATO, by Bennett, Andrew, Joseph Lepgold, and Danny Unger, "Burden-sharing in the Persian Gulf War," *International Organization*, 48,1, Winter 1994.

<sup>15</sup> Apart from the improvement of efficiency by increasing the production of alliance goods up to Pareto optimal level, Olson and Zeckhauser (1967) pointed out the importance of specialization based on comparative advantage in defense production as a way to improve efficiency of alliances, saying that "If ... it happens that one of these nations is relatively efficient in military matters and the other is not, it would be a necessary condition of economic (and military) efficiency that the militarily more efficient nation provide a larger share of the alliance's military capacity and the other ally export more private goods to it in return. The nation which has the comparative advantage in the collective good of defense would have to specialize in that, and the nation that has the comparative advantage in private goods would have to specialize in such goods. This would make it possible for them to 'trade' to their mutual advantage." (p.45) Richard Cooper disagreed in commenting on Olson and Zeckhauser, 1967. As the reason "why members of an alliance may not want divide their responsibilities in the provision of collective goods strictly along the lines of 'comparative advantage'", Cooper pointed out that defense goods are not pure public goods and defense goods have joint product character, that is, defense goods serve other foreign policy purposes as well as purposes of an alliance. (pp.56-57) See Olson, Mancur and Richard Zeckhauser, "Collective Goods, Comparative Advantage, and Alliance Efficiency," *Issues in Defense Economics*, edited by Roland N. McKean, National Bureau of Economic Research, 1967, pp.25-63.

James Morrow's discussion on armament and autonomy is based on comparative advantages (see footnote 8 in Chapter 1 and footnote 23 in this chapter).

<sup>16</sup> This figure is partly based on Olson and Zeckhauser, 1966, Figure 3, p.269.



As an extension of public good model of alliances, there are studies that changed the assumptions behind the model. If one replaces the assumption that the product produced by alliance is a public good with another assumption, the conclusion of analysis including “disproportionality” of burden and “sub-optimality” of production changes. The studies by Sandler and others on alliances assume that allies allocate their military spending not only to increase deterrence with a pure public good character, such as deterrence by nuclear weapons, but also for “impure” public goods (border patrol or domestic policing activity), which lack either one of the conditions of public goods,



or private goods, which lack both of the conditions.<sup>17</sup> Another study assumes that the same good produced by allies can provide both benefit with public good character and benefit with private good character at the same time (joint product model)<sup>18</sup>. For example, military forces can produce public good benefit if the forces function as a deterrent, but it can also produce private good benefit if it is used for maintaining public order domestically. The study using either of the assumptions leads to the conclusion that the disproportionality and suboptimality weaken (although do not disappear) compared to when using pure public good assumption.<sup>19</sup> <sup>20</sup>These points are relevant to this study, since alliance contributions include “impure” public goods.

## 2-2. Alliance formation model

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<sup>17</sup> Russett, Bruce M., “Alliances and Price of Primacy,” *What Price Vigilance: The Burdens of National Defense*, Chapter 4, 1970, pp.91-126. More formal treatment by Sandler, Todd, “Impurity of Defense: An Application to the Economics of Alliances,” *Kyklos*, Volume 30, 1977, pp.443-460. See Thies, Wallace J., “Alliances and Collective Goods: A Reappraisal,” *Journal of Conflict Resolution*, Vol.31 No.2, June 1987, on impurity of defense for pre-1945 alliance because of difficulty of moving forces at that time. Counterargument on pureness of defense by Oneal, John R., “Testing Theory of Collective Action: NATO Defense Burdens, 1950-84,” *Journal of Conflict Resolution*, Vol.34 No.3, September 1990, pp.426-448. Kammler, Hans, “Not for Security Only: the Demand for International Status and Defense Expenditure, An Introduction,” *Defence and Peace Economics*, Vol.8, pp.1-16, 1997 on positional good, and impure public good character of defense goods.

<sup>18</sup> See Cornes, Richard, and Todd Sandler, “Easy Riders, Joint Production, and Public Goods,” *The Economic Journal*, 94, September 1984, pp.580-598, on formal treatment of joint product model. See application of joint product model on NATO countries by Sandler, Todd and John F. Forbes, “Burden Sharing, Strategy, and the Design of NATO,” *Economic Inquiry*, Vol.18, July 1980; Murdock, James C., and Todd Sandler, “Complementarity, Free Riding, and the Military Expenditure of NATO Allies,” *Journal of Peace Economics*, 25, pp.83-101, 1984; Hansen, Larna, James C. Murdoch, and Todd Sandler, “On Distinguishing the Behavior of Nuclear and Non-nuclear Allies in NATO,” *Defense Economics*, Vol.1, pp.37-55, 1990; and Khanna, Jyoti and Todd Sandler, “NATO Burden Sharing: 1960-1992,” *Defence and Peace Economics*, pp.115-133, 1996.

<sup>19</sup> For example, according to the studies by Sandler and others, the degree of disproportionality in defense spending among NATO countries, measured by rank order association between the ratio of defense spending to gross domestic product and gross domestic product, decreased since the early 1970s. The strategy of flexible response, which increased the role of conventional weapons relative to nuclear weapons, was adopted during the early 1970s and, as a result, the public good character of European defense decreased.

<sup>20</sup> Disproportionality and sub-optimality conclusions change when using different assumptions on technology of collective supply (meaning how alliance contributions aggregate into alliance goods, for example, including weakest or strongest link function <meaning alliance goods are equal to weakest or strongest contributions> instead of sum function <meaning alliance goods are equal to sum of alliance contributions>), income effect of spill-ins, and interaction of group members (for example, leader-follower behavior instead of Nash equilibrium).

On the weakest link, see Hirshleifer, Jack, “From Weakest Link to Best Shot: The Voluntary Provision of Public Goods,” *Public Choice*, 41, No.3, 1982, pp.371-86. Application of weakest link and best shot aggregation technology on military alliances by Conybeare, John A.C., James Murdoch, and Todd Sandler, “Alternative Collective-Goods Models of Military Alliances: Theory and Empirics,” *Economic Inquiry*, Vol.32, October 1994, pp.525-542. Neither weakest link nor best shot type of technology was found to be valid for NATO and Warsaw pact.)

For studies on public goods and alliance after the original Olson/Zeckhauser model, see Sandler, Todd, “The Economic Theory of Alliance: A Survey,” *Journal of Conflict Resolution*, Vol.37 No.3, 1993, pp.446-483; Sander, Todd, 1992, Chapter 2 and 3; and Murdoch, James C., “Military Alliances: Theory and Empirics” in *Handbook of Defense Economics*, Vol.1, Edited by K. Hartley and Todd Sandler, Chapter 5, 1995.

Countries form an alliance when the countries think that they can develop a pool of alliance goods that can benefit them all. Therefore, study on alliance formation is relevant to my work.<sup>21</sup>

The economic model on alliance formation by Altfield<sup>22</sup> assumes that the government has two policy tools for influencing national security (referred to as S): armament (R) and military alliance (L). The government uses its civilian wealth (W) to purchase armaments, and uses its “autonomy” (A)<sup>23</sup> to join and purchase alliance. James Morrow explains that “Arming produces a more reliable improvement in security slowly at the political cost of diverting resources to the military. Alliances produce additional security quickly but with less reliability and at the political cost of moderating conflicting interests with the prospective ally. Thus, alliance strategies cannot be studied apart from military allocations; the choice between the two is decided by the balance of costs and benefits of each.”<sup>24</sup> The model assumes that a country has to give up part of its “autonomy” in order to form an alliance. Its utility function (U) depends on national security, civilian wealth, and autonomy. The relations are summarized as:

$$\begin{aligned} U &= U(S, W, A) \\ S &= S(R, L) \\ W &= G_1(R) \\ A &= G_2(L) \end{aligned} \tag{1}$$

$$\begin{aligned} \frac{\partial U}{\partial S}, \frac{\partial U}{\partial W}, \frac{\partial U}{\partial A} &> 0 \\ \frac{\partial S}{\partial R}, \frac{\partial S}{\partial L} &> 0 \\ \frac{dW}{dR}, \frac{dA}{dL} &< 0 \end{aligned} \tag{2}$$

$$\begin{aligned} \frac{\partial^2 U}{\partial S^2}, \frac{\partial^2 U}{\partial W^2}, \frac{\partial^2 U}{\partial A^2} &< 0 \\ \frac{\partial^2 S}{\partial R^2}, \frac{\partial^2 S}{\partial L^2} &< 0 \end{aligned} \tag{3}$$

(U: utility, S: security, W: civilian wealth, A: autonomy, R: armament, L: alliance)

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<sup>21</sup> For example, Altfield, M.F., “The Decision to Ally: A Theory and Test,” *Western Political Quarterly*, 37, pp.523-44, 1984. Snyder, Glenn H., “The Security Dilemma in Alliance Politics,” *World Politics*, Volume 36 Issue 4, July 1984, pp.461-495. Choice of alliance as a trade-off between arms and alliance in terms of the balance of costs and benefits by Morrow, James D., “Arms versus allies: trade-offs in the search for security,” *International Organization*, 47, 2, Spring 1993, pp.207-233. Choice of an alliance in foreign policy portfolio by Morgan, T. Clifton, and Glenn Palmer, “A Model of Foreign Policy Substitutability: Selecting the Right Tools for the Jobs,” *Journal of Conflict Resolution*, Vol.44 No.1, February 2000, pp.11-32, especially pp.17-21; and Palmer, Glenn, Scott B. Wohlander, and T. Clifton Morgan, “Give or Take: Foreign Aid and Foreign Policy Substitutability,” *Journal of Peace Research*, Vol.39 No.1, 2002, pp.5-26. Analysis on alliance formation using data on the Middle Eastern countries is in *The Origins of Alliances* by Stephen M. Walt, Cornell University Press, 1987.

<sup>22</sup> Altfield M.F., 1984.

<sup>23</sup> See Chapter 3 on “autonomy.”

<sup>24</sup> Morrow, James D., “Arms versus allies: trade-offs in the search for security,” *International Organization*, 47, 2, Spring 1993, pp.207-233. Excerpt from p.208.

The resource allocation problem facing the government is how to maximize utility (U), by changing the resources allocated for armaments (R) and alliance (L), subject to the constraints on W and A. By replacing W and A in U with functions of R and L, and by using first order condition,

$$U = U(S(R, L), G_1(R), G_2(L)) \quad (4)$$

$$\begin{aligned} \frac{\partial U}{\partial R} &= \frac{\partial U}{\partial S} \frac{\partial S}{\partial R} + \frac{\partial U}{\partial W} \frac{dW}{dR} = 0 \\ \frac{\partial U}{\partial L} &= \frac{\partial U}{\partial S} \frac{\partial S}{\partial L} + \frac{\partial U}{\partial A} \frac{dA}{dL} = 0 \end{aligned} \quad (5)$$

By arranging equations, the following equations on first order condition for utility maximization are obtained. A country should allocate resources according to (6) and (7) to maximize its utility.

$$\frac{\frac{\partial U}{\partial S} \frac{\partial S}{\partial R}}{\frac{\partial U}{\partial W}} = - \frac{dW}{dR} \quad (6)$$

$$\frac{\frac{\partial U}{\partial S} \frac{\partial S}{\partial L}}{\frac{\partial U}{\partial A}} = - \frac{dA}{dL} \quad (7)$$

### 2-3. Interaction of allies

In order for an alliance to function as a sustainable mechanism for increasing security of allies, allies have to overcome an inherent difficulty in cooperating to produce public goods while not having a central authority to collect resources and spend them according to joint benefit, as public goods theory predicts. Another assumption that makes the prediction about burden-sharing among allies less disproportionate and the prediction about the level of production of alliance goods less *suboptimal* is on how allies interact. Although the interaction is not analyzed in this study, I look at the issues to understand the limitation of the model with little consideration for interaction among allies.

The alliance model by Olson and Zeckhauser assumes Cournot process (meaning decisions by others are given when making own decision). In the Cournot process, as an approximation, each ally takes for granted the other allies' contributions and assumes that its own contribution does not affect other allies' contribution ("zero conjectural" assumption). Each ally then decides upon an optimal level of alliance contribution by maximizing utility under budget and other resource constraints. However, this model assumption is a good first-cut approximation of reality and does not reflect the whole picture, considering that it is advantageous for allies to make the alliance durable and that the decision based on Cournot process may make other allies unhappy (for example, smaller ally in

Figure 2.1). The results derived from the model based on Cournot process change when a model assumes a different kind of interactive process among allies concerning the decision on alliance contributions, such as non zero-conjectural model<sup>25</sup>, bargaining model<sup>26</sup>, model assuming Lindahl process<sup>27</sup>, or game model such as iterated Prisoner's Dilemma<sup>28</sup> (see footnotes for definitions of these terms).

If the situation is not a one-shot game like this but an iterated multiple-shot game, the choice of strategy changes. For example, when players do not know when the game will end until the game ends, or players know only the discount rate (=the possibility that the game will end in this round and there will be no next round), players discount future reward by this rate when calculating its present value. In this setting, Tit For Tat strategy (TFT) is the "best" strategy under some conditions<sup>29</sup>. TFT is a reciprocity-based strategy, where a player cooperates on the first move in a game to choose "cooperate" either "defect" in each of multiple rounds, and then imitates whatever the other player chose on the previous move.<sup>30</sup> In this strategy, the relationship between one player's choice of move and another's choice of move is interdependent, different from the independent

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<sup>25</sup> See Cornes, Richard and Todd Sandler, "The Theory of Public Goods: Non Nash Behavior," *Journal of Public Economics*, 23, pp.367-379, 1984, on non-zero conjectural variations of interaction (which means non-Cournot process) and their graphical analysis.

<sup>26</sup> Analysis on alliances using both marginal utility model and bargaining model by Palmer, Glenn, "Corralling the Free Rider: Deterrence and the Western Alliance," *International Studies Quarterly*, 34, 1990, pp.147-164. Palmer concludes that "the actors in the group are more sophisticated than the Cournot model allows. And in this way, the bargaining model helps explain why the smaller actors forego the complete free-rider of contributing nothing at all." (p.162).

<sup>27</sup> Lindahl process means each provides the share of total goods which is based on their valuation. For the method for identifying Lindahl process as contrast to Cournot process, see McGuire, Martin C. and Carl H. Groth, Jr., "A Method for Identifying the Public Good Allocation Process within a Group," *Quarterly Journal of Economics*, Vol.100, Issue Supplement, pp.915-934, 1985. This method was applied to NATO countries' defense expenditures in Sandler, Todd and James C. Murdoch, "Nash-Cournot or Lindahl Behavior?: An Empirical Test for the Nato Allies," *Quarterly Journal of Economics*, Vol.105, Issue 4, pp.875-894, Nov. 1990; and Oneal, John R., "The Theory of Collective Action and Burden Sharing in NATO," *International Organization*, Vol.44 Issue 3, Summer 1990, pp.379-402.

<sup>28</sup> Formally, in a payoff matrix  $\begin{bmatrix} R, R & S, T \\ T, S & P, P \end{bmatrix}$  (first in each entry is the payoff for row player and second in each entry is the payoff for column player. T, R, P, and S mean temptation, reward, punishment, and sucker's payoff respectively), 1)  $T > R > P > S$  and 2)  $2R > T + S$  are condition for the payoff matrix to describe Prisoner's Dilemma.

<sup>29</sup> Axelrod, Robert. "The Emergence of Cooperation among Egoists" *The American Political Science Review*, Volume 75, Issue 2. June 1981, pp.306-318. TFT is a collectively stable strategy (= no strategy can invade), if and only if w (discount rate of reward) is less than  $\text{MAX} ((T-R)/(T-P), (T-R)/(R-S))$  (w is low enough. See footnote 28 on terms, proof by Axelrod, 1981, p.311.) In other words, when the shadow of the future is large enough, no strategy can prevail over TFT in an environment where TFT is adopted by all players. On the other hand, there is no way for TFT to prevail in an environment where discount rate is large, or uncooperative strategy is adopted by all. Another view on TFT strategy, see Hirshleifer and Coll, 1988.

<sup>30</sup> In order to apply the reasoning on Tit For Tat strategy in a repeated Prisoner's Dilemma game, it is necessary to judge whether a vector of alliance contributions is considered to be a "cooperation" or "defection." To reciprocate, it is necessary to make the judgment both for own and other players' alliance contributions vectors.

choice of dominant strategy in a one-shot prisoner's dilemma. Figure 2.4 shows relationship between player A and B's choices in a two choice ("cooperate" or "defect") one shot and multiple shot Prisoner's dilemma game.

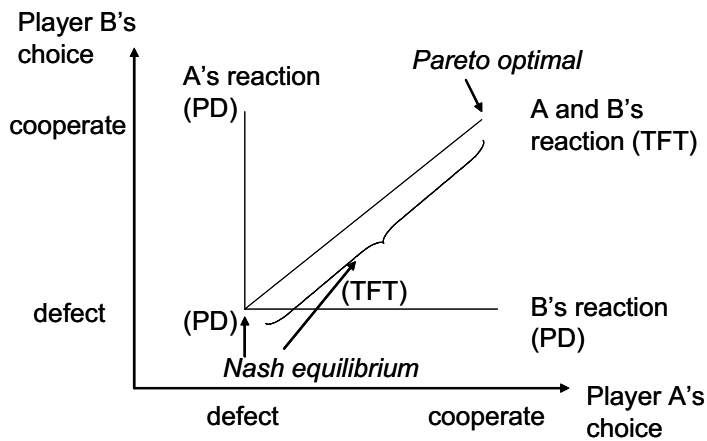


Figure 2.4 – Reaction curves in Tit for Tat (TFT) and one-shot Prisoner's Dilemma (PD)<sup>31</sup>

If which move, cooperate or defect, another player has taken in the last round is not obvious, which might be the case in the provision of alliance contributions, the relationship between the moves depends on each ally's subjective judgment as to the degree of cooperation. Furthermore, if alliance contribution consists of various kinds of goods, such as armaments, basing, and other kinds of support, or if there is a lead time between the action of one player and the perception of another player about the action, cognitive process of making a subjective judgment becomes more complex, because it is more difficult to judge on each item of contribution and then to aggregate the judgments on each item of contribution into one final judgment on "cooperate" or "defect."

<sup>31</sup> Space for strategy is depicted as being continuous, not as being discrete between "cooperate" and "defect," in order to make reaction curves continuous.

### *Chapter 3*

#### *Two conceptual models on alliance contributions*

In this chapter, drawing on models and findings of the previous literature, that is, public goods theory on alliance burden-sharing and international relations theory on alliance formation, I develop an economic model on alliance contributions. Next, I explain a policy process model on alliance contributions, focusing on the problem of agenda setting and decision process of alliance contributions. Those two models are the complementary conceptual models of alliance contributions.

##### 3-1. Economic model on alliance contributions

I revise the model by Altfeld in order to incorporate the concept of “alliance contributions”: their public good character and their characteristics to change according to environment conditions. In the revised model, the effectiveness of alliance depends on the sum of armaments and autonomy provided by allies. Although armament is public good in that other allies can consume freely without decreasing its volume, armament can also increase security directly other than by way of increasing the effectiveness of alliance. In this sense, armament is joint product used in public goods model of alliance.<sup>1</sup> Those two, provision of armaments and autonomy, are alliance contributions. The differences from public goods model of alliance and Altfeld’s model are:

- 1) Alliance is a function of armament and alliance autonomy.
- 2) Armament and alliance autonomy in the function of alliance are public goods, and there are spillovers on armaments and alliance autonomy from other allies, and
- 3) Armament is joint product in that it contributes to security directly, and indirectly by way of alliance.

The government is assumed to have wealth and autonomy as initial endowments, and allocate the wealth between the production of non-armament goods and armaments, and allocates the autonomy between domestic autonomy and alliance autonomy. The costs of non-armament goods and domestic autonomy are numeraire, and the costs of armaments and alliance autonomy are  $c_1$  and  $c_2$  respectively. The endogenous variables in the model are 1) armaments, 2) non-armament goods, 3) domestic autonomy, 4) alliance autonomy, 5) security, and 6) alliance. The exogenous variables are 1) spillover of armaments, 2) spillover of alliance autonomy, 3) cost of armaments, 4) cost of alliance autonomy, 5) wealth, and 6) autonomy. Figure 3.1 shows the relationship.

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<sup>1</sup> See footnote 18 in Chapter 2 on joint product model of public goods.

$$\begin{aligned}
U &= U(S, NR, DA) \\
S &= S(R, L) \\
L &= L(R + \sum_{j \neq i} R_j, AA + \sum_{j \neq i} AA_j) \\
W &= NR + c_1 R \\
A &= DA + c_2 AA
\end{aligned} \tag{1}$$

(U: Utility, S: Security, NR: Non-armament good, DA: Domestic autonomy, R: Armament, L: Alliance, AA: Alliance Autonomy,  $\sum_{j \neq i} R_j$  : Spillover of armaments from other allies,  $\sum_{j \neq i} AA_j$  : Spillover of alliance autonomy from other allies, W: Wealth, A: Autonomy)

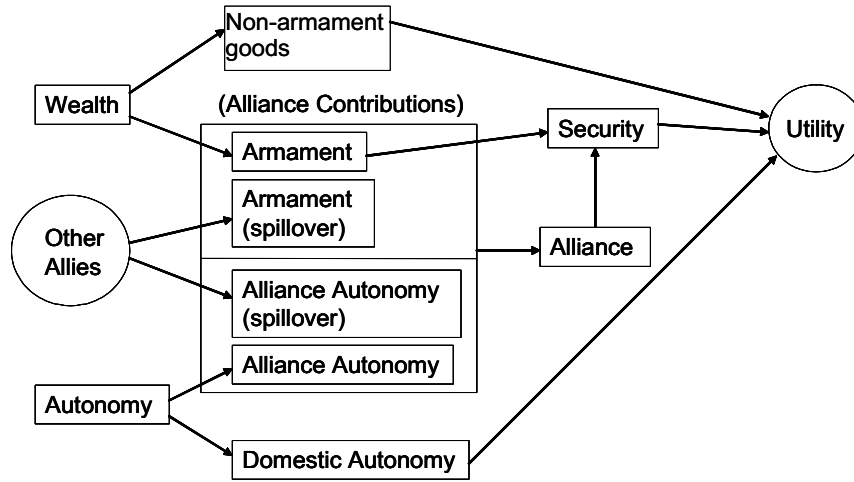


Figure 3.1 – Relationship among variables in alliance contribution model

I assume that utility (U) is a twice differentiable, continuous<sup>2</sup>, and concave increasing function of security, non-armament good and domestic autonomy; security (S) is a twice differentiable, continuous, and concave increasing function of armament and alliance; and alliance (L) is an twice differentiable, continuous, and concave increasing function of armament and alliance autonomy.

$$\begin{aligned}
\frac{\partial U}{\partial S}, \frac{\partial U}{\partial NR}, \frac{\partial U}{\partial DA} &> 0 \\
\frac{\partial S}{\partial R}, \frac{\partial S}{\partial L} &> 0 \\
\frac{\partial L}{\partial R}, \frac{\partial L}{\partial AA} &> 0
\end{aligned} \tag{2}$$

<sup>2</sup> Exchange rule of second derivative can be used when this assumption is met.

$$\frac{\partial^2 f(x, y)}{\partial x \partial y} = \frac{\partial^2 f(x, y)}{\partial y \partial x}$$

I also assume that the second derivative of utility with respect to security, non-armament goods and domestic autonomy, the second derivative of security with respect to armament and alliance, and the second derivative of alliance with respect to armament and alliance autonomy are all negative. In addition, I assume that cross second derivative of security with respect to armaments and alliance is non-positive. In other words, marginal increase of security associated with marginal increase of alliance decreases with more of armaments, or marginal increase of security associated with marginal increase of armaments decreases with more of alliance.

$$\begin{aligned}
& \frac{\partial^2 U}{\partial S^2}, \frac{\partial^2 U}{\partial NR^2}, \frac{\partial^2 U}{\partial DA^2} < 0 \\
& \frac{\partial^2 S}{\partial R^2}, \frac{\partial^2 S}{\partial L^2} < 0 \\
& \frac{\partial^2 S}{\partial L \partial R}, \frac{\partial^2 S}{\partial R \partial L} \leq 0 \\
& \frac{\partial^2 L}{\partial R^2}, \frac{\partial^2 L}{\partial AA^2} < 0
\end{aligned} \tag{3}$$

I assume also that cross second derivatives of utility with respect to security, non-armament goods and domestic autonomy are nonnegative, since marginal utility of non-armament goods and domestic autonomy should increase with more of security. For example, marginal utility derived from consumption of one more apple increases (or, does not decrease) if you are more confident that the military forces protect you from an attack by neighboring countries.

$$\frac{\partial^2 U}{\partial S \partial NR}, \frac{\partial^2 U}{\partial S \partial DA} \geq 0 \tag{4}$$

[Autonomy]

Before analyzing the maximization problem of the equations (1), let me explain key concepts of the model, “autonomy,” “alliance autonomy,” and “domestic autonomy” in detail.

Altfeld explains on the concept of “autonomy” that “what all alliances have in common, though, is a promise by each side to take specific actions in the event of specific contingencies. ... Thus, alliances can be seen as depriving each party of some of its freedom of action. In addition, alliances tend to tie nations more broadly to each others’ positions on relevant issues so that it becomes difficult for either party to adopt policy stands too different from those of allies.”<sup>3</sup> Altfeld’s definition on autonomy is based on the notion developed by Bueno de Mesquita. Bueno de Mesquita explained that “[F]or weak states with little power to offer their potential allies, the formation of an alliance with a powerful protector may depend on the weak state’s willingness to cooperate in the pursuit of policy objectives of the stronger potential allies. If a weak state is not willing to

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<sup>3</sup> Altfeld, 1984, p.526.



compromise in ways that can benefit its stronger would-be ally, there is little reason for its leader to believe that the strong state will compromise some of its own interests and risk entanglement in the affairs of the weak state by forming an alliance with it.”<sup>4</sup>

In this study, alliance autonomy is defined as the deprivation of freedom of action by becoming the party to a security alliance, which is considered to be provided to the alliance from the standpoint of the alliance and its members. The size of autonomy itself is defined as the size of the initial endowment from which a government can allocate for alliance autonomy, that is, the size of freedom of action which a government can sacrifice to become the party to a security alliance. In other words, the size of autonomy is the size of the commitments on its future actions that a government can make so that other allies feel that the alliance is more valuable to them.

I consider the size of autonomy is proportional to the size of the resources and relations with other countries which a country possesses (see Chapter 6, 6-1-2). I assume that those include three components, that is, land spaces, monetary resources, and foreign relations. I assume that “foreign relations” are a function of the number of countries that the country has diplomatic relations, and width and depth of the relationship. As to foreign relations, the size of autonomy can increase, for example, if the number of neighboring countries, or the number of the countries with regard to which the country can make a policy change in a way that is valuable to alliance members.

Although counterintuitive at first, as a result of provision of the alliance autonomy to an alliance, the amount of autonomy which a country possesses after the provision may not necessarily decrease, in net. There are two reasons. First, the autonomy the country possesses before providing it to the alliance may have increased as a policy decision, in order to provide it to the alliance. One scholar on philosophy on law explains the function of laws in a society as follows: “Laws limit human autonomy. Criminal laws, for example, remove certain behaviors from the range of behavioral options by penalizing them with imprisonment and, in some cases, death. Likewise, civil laws require people to take certain precautions not to injure others and to honor their contracts.”<sup>5</sup> A society is better off by the equal limiting of autonomy of all individuals. While it is basically international laws such as treaties or multilateral agreements that limit the behavior of countries, a country can limit (=decrease) its own autonomy by making a constraint imposed on itself, either by a law or a binding government decision, for a strategic reason or as a result of value judgment. By relaxing the self-imposed constraint, a country can increase its autonomy. For example, the Japanese government adopted the Constitution which prohibits the use of force other than solely for self defense. Until the late 1990s, the Japanese government did not have a legal framework to support the

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<sup>4</sup> Bueno de Mesquita, *The War Trap*, 1981, pp.123-4.

<sup>5</sup> Kenneth Einar Himma, University of Washington, Philosophy of Law, Internet Encyclopedia of Philosophy, <http://www.iep.utm.edu/l/law-phil.htm>

U.S. forces in a conflict near Japan, because of the difficulty to make such a legal framework under the Constitution. In a sense, by establishing the legal framework and relaxing the Constitution's constraint on the use of force in the 1990s (see Chapter 6), Japan increased its autonomy. The amount of the autonomy which increased, however, was provided as an alliance contribution since the maintenance of the U.S.-Japan alliance makes it almost automatic to support the U.S. once the conflict takes place near Japan by establishing the legal framework to support the U.S. once the conflict takes place. In this case, the net change for Japan's autonomy is zero, since the increased autonomy is provided to the alliance.

Second, when a government provides the autonomy to an alliance, the government may receive autonomy from its allies in another policy area, whether the policy area is related to the alliance or not. For example, the provision of alliance autonomy, say, acquiescence of a military action by its ally, may lead to, say, an end of a self-imposed constraint on export of cars. In this case, net change of autonomy may not necessarily be negative. This "substitution" of the loss of autonomy in one policy area for the increase of autonomy in another policy area can be pursued intentionally. Susan Pharr argued that "[T]he substitution policy that Japan has pursued in negotiations over burden-sharing has legitimized, or won U.S. support for, initiatives such as Japan's foreign assistance program, the return of Okinawa, Japan's concerted and successful efforts to rebuild a zone of Japanese influence and economic power in Asia, and other policies and goals."<sup>6</sup> The increase of autonomy as a result of provision of alliance autonomy can happen not only in economy policy but also in security policy. Provision of alliance autonomy may lead to an increase of bargaining power over other allies, which a government can use to increase policy options in other areas of security policy. For example, provision of military bases may increase the influence on a military operation of the ally using the base. Both of the above are difficult to expect to take place, when linkages between security and economy policy, or linkages between alliance and other security policies are weak.

The concept "cost of alliance autonomy" is the cost for a decision maker for one ally to provide alliance members with a unit amount of autonomy from its initially endowed autonomy space, to keep the alliance effective and mutually beneficial. The cost shows how much efforts and resources (time, money, political process, etc.) are necessary to make a consensus or decision to provide one unit of alliance autonomy. In other words, a government or an administration has political capital, which is influenced by the share of a majority party in the Diet or popularity of the administration among the public, at first (as endowment), which provides its autonomy space for policy maneuvers. Then the government spends that political capital between alliance autonomy and

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<sup>6</sup> Susan J. Pharr, "Japan's Defensive Foreign Policy and the Politics of Burden Sharing," in *Japan's Foreign Policy After the Cold War: Coping with Change*, ed. by Gerald L. Curtis, 1993, M.E. Sharpe: New York, pp.255-256.

domestic autonomy. The cost of alliance autonomy in this case shows the amount of political resources of providing one unit of autonomy to an alliance, relative to consuming political capital domestically.<sup>7</sup> When a policymaker anticipates that other policymakers and the public of the country comes to dislike the constraints that an alliance imposes on its national security policy more, the policymaker expects that the political cost for the policymaker to take the same amount of autonomy and sacrifice that to strengthen the alliance would be higher. In other words, when other people have different set of preferences from the policymaker, it is more costly to persuade them to agree to the course of action that the policymaker would like to take.

Now that you understand several concepts related to “autonomy,” we can go back to the maximization problem. Maximization problem of the government assuming Cournot process is:

Maximize U, by changing the allocation of wealth between non-armament goods and armament, and the allocation of autonomy between domestic autonomy and alliance autonomy, 1) subject to constraints on wealth and autonomy, 2) given armament and alliance autonomy provided by other alliance members, and 3) on the assumption that the choice of armament and autonomy does not affect other allies’ decision on alliance membership and alliance contributions.<sup>8</sup>

Lagrangian V of the maximization problem becomes,

$$V = U(S(R, L(R + \sum_{j \neq i} R_j, AA + \sum_{j \neq i} AA_j)), NR, DA) - \lambda_1 (NR + c_1 R - W) - \lambda_2 (DA + c_2 AA - A) \quad (5)$$

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<sup>7</sup> On use of the concept, “political capital,” in politics literature, see Kessler, Timothy P., “Political Capital: Mexican Financial Policy under Salinas,” *World Politics* 51, October 1998. pp.36-66. This study explained that the reason why the reformist Salinas administration protected banks and overvalued the currency was that the Salinas administration did not have enough political capital in the Mexico’s increasing democratic environment.

<sup>8</sup> Although optimal armament and alliance autonomy maximizes the utility, whether this set of alliance contribution satisfies the condition for maintaining alliance among the current members is another matter, since it is assumed that the decision does not affect the level of alliance contributions made by other allies and does not break the framework of current alliances. If alliance contributions are too low, some of allies may break away from alliance, which may reduce the utility. Because of this possibility, it may be better to provide more of armaments and alliance autonomy beyond optimal level under Cournot assumption without breaking the alliance framework, than to economize on armaments and alliance autonomy at optimal level under Cournot process assumption for maximization and to break the alliance framework as a result.

Let me assume that alliance is a function of armament R, alliance autonomy AA and alliance mandate M.

$$L = L(R, AA, M)$$

If a country joins the alliance, mandate is assumed to increase by m, and increase of mandate is assumed to decrease the effectiveness of alliance L. If the country i provides to the alliance  $r_i$  and  $aa_i$  as alliance contribution, the condition for maintaining the alliance framework can be stated as:

$$L_j(R + r_i, AA + aa_i, M + m_i) > L_j(R, AA, M) \text{ for all } j \text{ (alliance members)}$$

This condition forms the minimum set of alliance contribution ( $r_{iM}$ ,  $aa_{iM}$ ) for a potential ally (as well as existing alliance members).

$$\begin{aligned}\frac{\partial V}{\partial NR} &= U_2 - \lambda_1 = 0 \\ \frac{\partial V}{\partial R} &= U_1(S_1 + S_2 L_1) - \lambda_1 c_1 = 0\end{aligned}\tag{6}$$

$$\begin{aligned}\frac{\partial V}{\partial DA} &= U_3 - \lambda_2 = 0 \\ \frac{\partial V}{\partial AA} &= U_1 S_2 L_2 - \lambda_2 c_2 = 0\end{aligned}\tag{7}$$

Deleting  $\lambda_1$  and  $\lambda_2$  from the above equations by substitution, the condition for maximization becomes:

$$\begin{aligned}\frac{U_1(S_1 + S_2 L_1)}{U_2} &= c_1 \\ \frac{U_1 S_2 L_2}{U_3} &= c_2\end{aligned}\tag{8}$$

or,

$$\frac{\frac{\partial U}{\partial S} \left[ \frac{\partial S}{\partial R} + \frac{\partial S}{\partial L} \frac{\partial L}{\partial R} \right]}{\frac{\partial U}{\partial NR}} = c_1\tag{9}$$

$$\frac{\frac{\partial U}{\partial S} \frac{\partial S}{\partial L} \frac{\partial L}{\partial AA}}{\frac{\partial U}{\partial DA}} = c_2\tag{10}$$

From the above condition (9) for maximization and the assumption on negativity of second derivatives on security and alliance (3), and the assumption on cross second derivative of utility (4)<sup>10</sup>, necessary and sufficient condition for more production of armaments at the margin is:<sup>11</sup>

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$$^9 U_1 \equiv \frac{\partial U}{\partial S}, U_2 \equiv \frac{\partial U}{\partial NR}, U_3 \equiv \frac{\partial U}{\partial DA}, S_1 \equiv \frac{\partial S}{\partial R} \Big|_{L=const} \equiv \frac{\partial S}{\partial R1}$$

$$S_2 \equiv \frac{\partial S}{\partial L}, L_1 \equiv \frac{\partial L}{\partial R}, L_2 \equiv \frac{\partial L}{\partial AA}$$

$$^{10} \frac{\partial}{\partial R} \frac{\partial U}{\partial NR} = \frac{\partial^2 U}{\partial S \partial NR} \left( \frac{\partial S}{\partial R} + \frac{\partial S}{\partial L} \frac{\partial L}{\partial R} \right) \geq 0 \text{ from the assumption (4)}$$

<sup>11</sup> This is because the inequality (1) below is valid, and from the rule on derivative of fraction,

$$\frac{\partial}{\partial R} \frac{f_2}{f_1} = \frac{\frac{\partial f_2}{\partial R} f_1 - f_2 \frac{\partial f_1}{\partial R}}{f_1^2} < 0 \text{ if } \frac{\partial f_2}{\partial R} < 0, \frac{\partial f_1}{\partial R} \geq 0, f_1 > 0, \text{ and } f_2 > 0.$$

Inequality (1) is shown by applying (3), (4), and (6) to (2).

$$\frac{\partial}{\partial R} \left[ \frac{\partial U}{\partial S} \left( \frac{\partial S}{\partial R1} + \frac{\partial S}{\partial L} \frac{\partial L}{\partial R} \right) \right] < 0\tag{1}$$

1. Increase of marginal utility of security  $\frac{\partial U}{\partial S}$ ,
2. Increase of marginal productivity of armament in security  $\frac{\partial S}{\partial R}$ ,
3. Increase of marginal productivity of alliance in security  $\frac{\partial S}{\partial L}$ ,

$$\begin{aligned}
& \left( \frac{\partial S}{\partial R1} \equiv S_1 \right) \\
& \frac{\partial}{\partial R} \left[ \frac{\partial U}{\partial S} \left( \frac{\partial S}{\partial R1} + \frac{\partial S}{\partial L} \frac{\partial L}{\partial R} \right) \right] = \frac{\partial}{\partial R} \left[ \frac{\partial U}{\partial S} \frac{\partial S}{\partial R1} + \frac{\partial U}{\partial S} \left( \frac{\partial S}{\partial L} \frac{\partial L}{\partial R} \right) \right] \\
& = \frac{\partial^2 U}{\partial R \partial S} \frac{\partial S}{\partial R1} + \frac{\partial U}{\partial S} \frac{\partial^2 S}{\partial R \partial R1} + \frac{\partial^2 U}{\partial R \partial S} \left( \frac{\partial S}{\partial L} \frac{\partial L}{\partial R} \right) + \frac{\partial U}{\partial S} \frac{\partial}{\partial R} \left( \frac{\partial S}{\partial L} \frac{\partial L}{\partial R} \right)
\end{aligned} \tag{2}$$

$$\begin{aligned}
& \frac{\partial}{\partial R} \frac{\partial U}{\partial S} = \frac{\partial}{\partial R} \frac{\partial U(S(R, L(R, AA)), NR, DA)}{\partial S} \\
& = \frac{\partial}{\partial S} \frac{\partial U(S(R, L(R, AA)), NR, DA)}{\partial R} \\
& = \frac{\partial}{\partial S} \left[ \frac{\partial U}{\partial S} \frac{\partial S}{\partial R1} + \frac{\partial U}{\partial S} \frac{\partial S}{\partial L} \frac{\partial L}{\partial R} \right] \\
& = \frac{\partial^2 U}{\partial S^2} \frac{\partial S}{\partial R1} + \frac{\partial U}{\partial S} \frac{\partial}{\partial S} \frac{\partial S}{\partial R1} + \frac{\partial^2 U}{\partial S^2} \frac{\partial S}{\partial L} \frac{\partial L}{\partial R} + \frac{\partial U}{\partial S} \frac{\partial}{\partial S} \left( \frac{\partial S}{\partial L} \frac{\partial L}{\partial R} \right) \\
& = \frac{\partial^2 U}{\partial S^2} \frac{\partial S}{\partial R1} + \frac{\partial^2 U}{\partial S^2} \frac{\partial S}{\partial L} \frac{\partial L}{\partial R} + \frac{\partial U}{\partial S} \frac{\partial}{\partial S} \frac{\partial S}{\partial R2} \\
& = \frac{\partial^2 U}{\partial S^2} \frac{\partial S}{\partial R1} + \frac{\partial^2 U}{\partial S^2} \frac{\partial S}{\partial L} \frac{\partial L}{\partial R} < 0
\end{aligned} \tag{3}$$

$$\begin{aligned}
& \frac{\partial}{\partial R} \frac{\partial S}{\partial R1} = \frac{\partial}{\partial R} \frac{\partial S(R, L(R, AA))}{\partial R1} = \frac{\partial}{\partial R1} \frac{\partial S(R, L(R, AA))}{\partial R} \\
& = \frac{\partial}{\partial R1} \left( \frac{\partial S}{\partial R1} + \frac{\partial S}{\partial L} \frac{\partial L}{\partial R} \right) \\
& = \frac{\partial^2 S}{\partial R1^2} + \frac{\partial}{\partial R1} \left( \frac{\partial S}{\partial L} \frac{\partial L}{\partial R} \right) \\
& = \frac{\partial^2 S}{\partial R1^2} + \frac{\partial^2 S}{\partial R1 \partial L} \frac{\partial L}{\partial R} + \frac{\partial S}{\partial L} \frac{\partial^2 L}{\partial R1 \partial R} \\
& = \frac{\partial^2 S}{\partial R1^2} + \frac{\partial^2 S}{\partial R1 \partial L} \frac{\partial L}{\partial R} < 0
\end{aligned} \tag{4}$$

$$\begin{aligned}
& \frac{\partial^2 S}{\partial R \partial L} = \frac{\partial}{\partial L} \frac{\partial S}{\partial R} = \frac{\partial}{\partial L} \left( \frac{\partial S}{\partial R1} + \frac{\partial S}{\partial L} \frac{\partial L}{\partial R} \right) \\
& = \frac{\partial S}{\partial L \partial R1} + \frac{\partial^2 S}{\partial L^2} \frac{\partial L}{\partial R} + \frac{\partial S}{\partial L} \frac{\partial}{\partial L} \frac{\partial L}{\partial R} \\
& = \frac{\partial S}{\partial L \partial R1} + \frac{\partial^2 S}{\partial L^2} \frac{\partial L}{\partial R} < 0
\end{aligned} \tag{5}$$

Because of (5),

$$\frac{\partial}{\partial R} \left( \frac{\partial S}{\partial L} \frac{\partial L}{\partial R} \right) = \frac{\partial^2 S}{\partial R \partial L} \frac{\partial L}{\partial R} + \frac{\partial S}{\partial L} \frac{\partial^2 L}{\partial R^2} < 0 \tag{6}$$

4. Increase of marginal productivity of armament in alliance  $\frac{\partial L}{\partial R}$ ,
5. Decrease of armaments provided by other allies,
6. Decrease of marginal utility of non-armament goods  $\frac{\partial U}{\partial PG}$ ,
7. Decrease of  $c_1$ , or
8. Increase of initial endowment of wealth  $W$ .

On the other hand, from the above condition (10) for maximization and the assumption on second derivatives on security and alliance (3), and the assumption on cross second derivative of utility (4), the necessary and sufficient condition for more provision of alliance autonomy at the margin is:<sup>12</sup>

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<sup>12</sup> This is because inequality (1) below is valid, and

$$\frac{\partial}{\partial AA} \frac{\partial U}{\partial DA} = \frac{\partial^2 U}{\partial S \partial DA} \frac{\partial S}{\partial L} \frac{\partial L}{\partial AA} \geq 0 \text{ from the assumption (4), and from the rule on derivative of fraction,}$$

$$\frac{\partial}{\partial AA} \frac{f_2}{f_1} = \frac{\frac{\partial f_2}{\partial AA} f_1 - f_2 \frac{\partial f_1}{\partial AA}}{f_1^2} < 0 \text{ if } \frac{\partial f_2}{\partial AA} < 0, \frac{\partial f_1}{\partial AA} \geq 0, f_1 > 0, \text{ and } f_2 > 0.$$

$$\frac{\partial}{\partial AA} \left( \frac{\partial U}{\partial S} \frac{\partial S}{\partial L} \frac{\partial L}{\partial AA} \right) < 0 \quad (1)$$

The inequality (1) is shown by (4) using (2) and (3).

$$\begin{aligned} \frac{\partial}{\partial AA} \frac{\partial S}{\partial L} &= \frac{\partial}{\partial L} \frac{\partial S(R, L(R, AA))}{\partial AA} = \frac{\partial}{\partial L} \left( \frac{\partial S}{\partial L} \frac{\partial L}{\partial AA} \right) \\ &= \frac{\partial^2 S}{\partial L^2} \frac{\partial L}{\partial AA} + \frac{\partial S}{\partial L} \frac{\partial}{\partial L} \left( \frac{\partial L}{\partial AA} \right) = \frac{\partial^2 S}{\partial L^2} \frac{\partial L}{\partial AA} \end{aligned} \quad (2)$$

1. Increase of marginal utility of security  $\frac{\partial U}{\partial S}$ ,
2. Increase of marginal productivity of alliance in security  $\frac{\partial S}{\partial L}$ ,
3. Increase of marginal productivity of alliance autonomy in alliance  $\frac{\partial L}{\partial AA}$ ,
4. Decrease of alliance autonomy provided by other allies,
5. Decrease of marginal utility of domestic autonomy  $\frac{\partial U}{\partial DA}$ ,
6. Decrease of  $c_2$ , or
7. Increase of initial endowment of autonomy A.

$$\begin{aligned}
\frac{\partial}{\partial AA} \frac{\partial U}{\partial S} &= \frac{\partial}{\partial AA} \frac{\partial U(S(R, L(R, AA)), NR, DA)}{\partial S} \\
&= \frac{\partial}{\partial S} \frac{\partial U(S(R, L(R, AA)), NR, DA)}{\partial AA} \\
&= \frac{\partial}{\partial S} \left( \frac{\partial U}{\partial S} \frac{\partial S}{\partial L} \frac{\partial L}{\partial AA} \right) \\
&= \frac{\partial^2 U}{\partial S^2} \frac{\partial S}{\partial L} \frac{\partial L}{\partial AA} + \frac{\partial U}{\partial S} \frac{\partial}{\partial S} \left( \frac{\partial S}{\partial L} \right) \frac{\partial L}{\partial AA} + \frac{\partial U}{\partial S} \frac{\partial S}{\partial L} \frac{\partial}{\partial S} \left( \frac{\partial L}{\partial AA} \right) \\
&= \frac{\partial^2 U}{\partial S^2} \frac{\partial S}{\partial L} \frac{\partial L}{\partial AA} + \frac{\partial U}{\partial S} \frac{\partial S}{\partial L} \frac{\partial}{\partial AA} \frac{1}{\frac{\partial S}{\partial L}} \\
&= \frac{\partial^2 U}{\partial S^2} \frac{\partial S}{\partial L} \frac{\partial L}{\partial AA} - \frac{\partial U}{\partial S} \frac{\partial S}{\partial L} \frac{\frac{\partial}{\partial AA} \frac{\partial S}{\partial L}}{\left( \frac{\partial S}{\partial L} \right)^2} \\
&= \frac{\partial^2 U}{\partial S^2} \frac{\partial S}{\partial L} \frac{\partial L}{\partial AA} - \frac{\partial U}{\partial S} \frac{\frac{\partial}{\partial AA} \frac{\partial S}{\partial L}}{\frac{\partial S}{\partial L}} \tag{3}
\end{aligned}$$

$$\begin{aligned}
\frac{\partial}{\partial AA} \left( \frac{\partial U}{\partial S} \frac{\partial S}{\partial L} \frac{\partial L}{\partial AA} \right) &= \frac{\partial}{\partial AA} \left( \frac{\partial U}{\partial S} \right) \frac{\partial S}{\partial L} \frac{\partial L}{\partial AA} + \frac{\partial U}{\partial S} \frac{\partial}{\partial AA} \frac{\partial S}{\partial L} \frac{\partial L}{\partial AA} + \frac{\partial U}{\partial S} \frac{\partial S}{\partial L} \frac{\partial^2 L}{\partial AA^2} \\
&= \left( \frac{\partial^2 U}{\partial S^2} \frac{\partial S}{\partial L} \frac{\partial L}{\partial AA} - \frac{\partial U}{\partial S} \frac{\frac{\partial}{\partial AA} \frac{\partial S}{\partial L}}{\frac{\partial S}{\partial L}} \right) \frac{\partial S}{\partial L} \frac{\partial L}{\partial AA} + \frac{\partial U}{\partial S} \left( \frac{\partial^2 S}{\partial L^2} \frac{\partial L}{\partial AA} \right) \frac{\partial L}{\partial AA} + \frac{\partial U}{\partial S} \frac{\partial S}{\partial L} \frac{\partial^2 L}{\partial AA^2} \\
&= \frac{\partial^2 U}{\partial S^2} \left( \frac{\partial S}{\partial L} \right)^2 \left( \frac{\partial L}{\partial AA} \right)^2 - \frac{\partial U}{\partial S} \left( \frac{\partial^2 S}{\partial L^2} \frac{\partial L}{\partial AA} \right) \frac{\partial L}{\partial AA} + \frac{\partial U}{\partial S} \frac{\partial^2 S}{\partial L^2} \left( \frac{\partial L}{\partial AA} \right)^2 + \frac{\partial U}{\partial S} \frac{\partial S}{\partial L} \frac{\partial^2 L}{\partial AA^2} \\
&= \frac{\partial^2 U}{\partial S^2} \left( \frac{\partial S}{\partial L} \right)^2 \left( \frac{\partial L}{\partial AA} \right)^2 - \frac{\partial U}{\partial S} \left( \frac{\partial^2 S}{\partial L^2} \right) \left( \frac{\partial L}{\partial AA} \right)^2 + \frac{\partial U}{\partial S} \frac{\partial^2 S}{\partial L^2} \left( \frac{\partial L}{\partial AA} \right)^2 + \frac{\partial U}{\partial S} \frac{\partial S}{\partial L} \frac{\partial^2 L}{\partial AA^2} \\
&= \frac{\partial^2 U}{\partial S^2} \left( \frac{\partial S}{\partial L} \right)^2 \left( \frac{\partial L}{\partial AA} \right)^2 + \frac{\partial U}{\partial S} \frac{\partial S}{\partial L} \frac{\partial^2 L}{\partial AA^2} < 0 \quad (\because (-)(+)(+) + (+)(+)(-)) \tag{4}
\end{aligned}$$

The concepts here of “marginal productivity of armaments in security” and “marginal productivity of alliance in security” correspond to *benefits* of arms and alliances as are represented by the increase of security respectively. Also please note that the concept shows the size of benefit of arms and alliance in terms of security’s increase, while the size of benefit of alliance contributions in terms of alliance’s increase depends on the alliance function.

If I assume that the model meets condition (11) as to the relative change of armament and alliance autonomy at their optimal levels, then I should add the condition for increase of armaments 1-8 to the condition for increase of alliance autonomy, and I should add the condition for increase of alliance autonomy 1-7 to the condition for increase of armament.

$$\frac{\partial AA^*}{\partial R^*} > 0 \text{ and } \frac{\partial R^*}{\partial AA^*} > 0^{13} \quad (11)$$

In order for the condition (11) to be valid, condition (12) on second derivative of alliance has to be valid.<sup>14</sup> This is a necessary condition for (11).<sup>15</sup>

$$\frac{\partial^2 L}{\partial R \partial AA}, \frac{\partial^2 L}{\partial AA \partial R} > 0 \quad (12)$$

The condition for the increase (or, decrease) of ratio of armaments to alliance autonomy in the composition of alliance contributions also depends on conditions (11) above, as the following shows. As an example, equation (13) shows that the optimal ratio of armament to alliance autonomy changes when marginal productivity of armaments in alliance changes.

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<sup>13</sup> “\*” means R and AA are at optimal level for maximization of utility.

<sup>14</sup> The condition means that marginal productivity of armament for alliance is higher when the alliance is provided with more of alliance autonomy, and marginal productivity of alliance autonomy for alliance is higher when the alliance is provided with more of armament.

According to the definition by Edgeworth, one factor A is complement of another factor B in a production function, if increase of A increases the marginal product of B. So, if the condition is met, armament and alliance autonomy are assumed to be complements for production of alliance. In this case, it is also possible to interpret that armament and alliance autonomy represent two groups of alliance contributions which are complements each other, apart from naming each of alliance contribution as armament and alliance autonomy.

<sup>15</sup> In the equation showing the condition for utility maximization (8),  $\frac{\partial U}{\partial S}$ ,  $\frac{\partial S}{\partial R1}$ , and  $\frac{\partial S}{\partial L}$  in the numerator decreases and the denominator  $\frac{\partial U}{\partial NR}$  increases when AA increases by assumption. So,  $\frac{\partial L}{\partial R}$  has to increase when AA increases, in order for the condition (11) to be met. In other words,  $\frac{\partial^2 L}{\partial AA \partial R} > 0$ . In the same manner,  $\frac{\partial U}{\partial S}$  and  $\frac{\partial S}{\partial L}$  in the numerator decreases and the denominator  $\frac{\partial U}{\partial DA}$  increases in the equation (9) when R increases by assumption. So,  $\frac{\partial L}{\partial AA}$  has to increase when R increases, in order for the condition (11) to be met. In other words,  $\frac{\partial^2 L}{\partial R \partial AA} > 0$



$$\begin{aligned}
\frac{\partial}{\partial \left( \frac{\partial L}{\partial R} \right)} \frac{R^*}{AA^*} &= \frac{\frac{\partial R^*}{\partial \left( \frac{\partial L}{\partial R} \right)} AA^* - R^* \frac{\partial AA^*}{\partial \left( \frac{\partial L}{\partial R} \right)}}{(AA^*)^2} \\
&= \frac{\frac{\partial R^*}{\partial \left( \frac{\partial L}{\partial R} \right)} AA^* - R^* \frac{\partial R^*}{\partial \left( \frac{\partial L}{\partial R} \right)} \frac{\partial AA^*}{\partial R^*}}{(AA^*)^2} \\
&= \frac{\frac{\partial R^*}{\partial \left( \frac{\partial L}{\partial R} \right)} \left( AA^* - R^* \frac{\partial AA^*}{\partial R^*} \right)}{(AA^*)^2}
\end{aligned} \tag{13}$$

(Case 1)  $\frac{\partial AA^*}{\partial R^*}, \frac{\partial R^*}{\partial AA^*} < 0$  in (13) ( $\rightarrow \frac{\partial^2 L}{\partial R \partial AA}, \frac{\partial^2 L}{\partial AA \partial R} < 0$ )

a. Necessary condition for increase of the ratio of armament to alliance autonomy

1. Increase of marginal productivity of armament in security  $\frac{\partial S}{\partial R}$ ,
2. Increase of marginal productivity of armament in alliance  $\frac{\partial L}{\partial R}$ ,
3. Decrease of armaments provided by other allies,
4. Decrease of marginal utility of non-armament goods  $\frac{\partial U}{\partial PG}$ ,
5. Decrease of the cost of armament  $c_1$ ,
6. Increase of initial endowment of wealth  $W$ ,
7. Decrease of marginal productivity of alliance autonomy in alliance  $\frac{\partial L}{\partial AA}$ ,
8. Increase of alliance autonomy provided by other allies,
9. Increase of marginal utility of domestic autonomy  $\frac{\partial U}{\partial DA}$ ,
10. Increase of the cost of alliance autonomy  $c_2$ , or
11. Decrease of initial endowment of autonomy  $A$ .

b. Change in the ratio of armaments to alliance autonomy in the composition of alliance contributions is indeterminate.

1. Increase (or, decrease) of marginal utility of security  $\frac{\partial U}{\partial S}$ ,
2. Increase (or, decrease) of marginal productivity of alliance in security  $\frac{\partial S}{\partial L}$ .

In these two cases, both armament and alliance autonomy increase (or decrease). Which increases more depends on  $S_1, S_2$ , and  $L_1$  (or,  $\frac{\partial S}{\partial R}, \frac{\partial S}{\partial L}, \frac{\partial L}{\partial R}$ ) for armament, and on  $S_2$  and  $L_2$  (or,  $\frac{\partial S}{\partial L}, \frac{\partial L}{\partial AA}$ ) for alliance autonomy.

$$(\text{Case 2}) \frac{\partial AA^*}{\partial R^*}, \frac{\partial R^*}{\partial AA^*} > 0 \text{ in (13)} (\rightarrow \frac{\partial^2 L}{\partial R \partial AA}, \frac{\partial^2 L}{\partial AA \partial R} > 0)$$

The necessary condition in category a. above is all now in the category b.

Those changes in various aspects of policy environment of alliances are relevant factors to the research question (“How should and do allies decide types and magnitudes of alliance contributions? How should be and is the decision related to environment?”) The conditions pointed out above show conceptually that various factors are relevant on the provision of alliance contributions. Their combinations decide the direction of change in alliance contributions and its composition. Both external and internal factors affect the conditions in a complex manner in a real setting of military alliances. For example, military situation (external) or change in domestic politics (internal) could affect the preference on security.

In a larger picture, provision of alliance contributions depends on larger political and military conditions such as polarity (uni-, bi- or multi-) of the world political system and relationship among the poles. These conditions affect the ally’s reaction to its own decision on alliance contributions. Relating to that, Glenn H. Snyder<sup>16</sup> explains the logic of dilemma of the alliance using the two concepts: “abandonment” and “entrapment.” If a country commits too little to the alliance, the ally may abandon the country. On the other hand, if a country commits too much on the alliance, the ally may drag the country into a conflict that it does not want, in other words, the ally has the country entrapped in the alliance. “Abandonment” has variety of forms: “the ally may realign with the opponent; he may merely de-align, abrogating the alliance contract; he may fail to make good on his explicit commitments; or he may fail to provide support in contingencies where support is expected.” (p.466) Entrapment means “being dragged into a conflict over an ally’s interests that one does not share, or shares only partially.”

Figure 3.2 below shows the relationship of those concepts with functional relations in the economic model of alliance contributions. The two left graphs in the figure show that if alliance increases too much, security decreases as a result of entrapment. If contributions are too low, alliance decreases as a result of abandonment. The right graph in the figure is the result of combining the two

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<sup>16</sup> Glenn H. Snyder, “The Security Dilemma in Alliance Politics”, *World Politics*, Vol. 36, No. 4, July, 1984, pp.461-495.

left graph. It shows that if alliance contributions are too low, security decreases, as a result of abandonment, and, if contributions are too high, security decreases as a result of entrapment.

The functional relationships analyzed in this section are by assumption on the area with the alliance contributions which are more than the amount where abandonment occurs and less than the amount where entrapment occurs (assumptions (2) and (3)). Put differently, it would be simplistic and inappropriate to discuss the change in alliance contributions in this area of curves by using only Snyder's two concepts on alliance relationships.

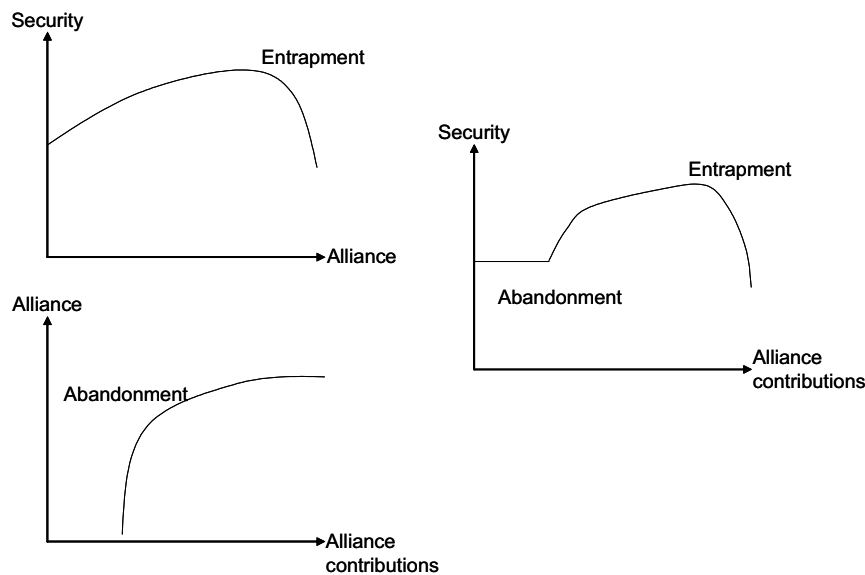


Figure 3.2 – Dilemma of alliance, and relationship among alliance contributions, alliance, and security in the economic model on alliance contributions

### 3-2. Policy process model on alliance contributions

Figure 3.3 is a block diagram to show the conceptual feedback model of two-country-alliance. “Policy making” block generates policy alternatives on alliance contributions and provides the decision criteria on how to judge alternatives, given policy objectives and resources to achieve the objectives. In the “Decision making” block, decision-makers in the government decide to implement one alternative set of alliance contributions, given proposed alternatives and decision criteria. “Alliance” block receives alliance contribution from allies and gives alliance benefit back to allies. There is a feedback from the alliance to decision-making by comparing cost for alliance contributions and benefit from the alliance. If environment such as international environment, resources, or alliance productivity changes, the provision of alliance contributions changes accordingly.

Although this is a feedback model and the process is dynamic (and more realistic), it is consistent with the static economic model on alliance contributions. This is because the latter optimizes the alliance contributions according to preference, given initial endowment and other

parameters on environment at one time, and the later do the same if there are no mistakes in calculations (non-bounded cognitive capability) and no time-dependent perturbations in environment. The difference is that this feedback model includes the policy and political process of the government.

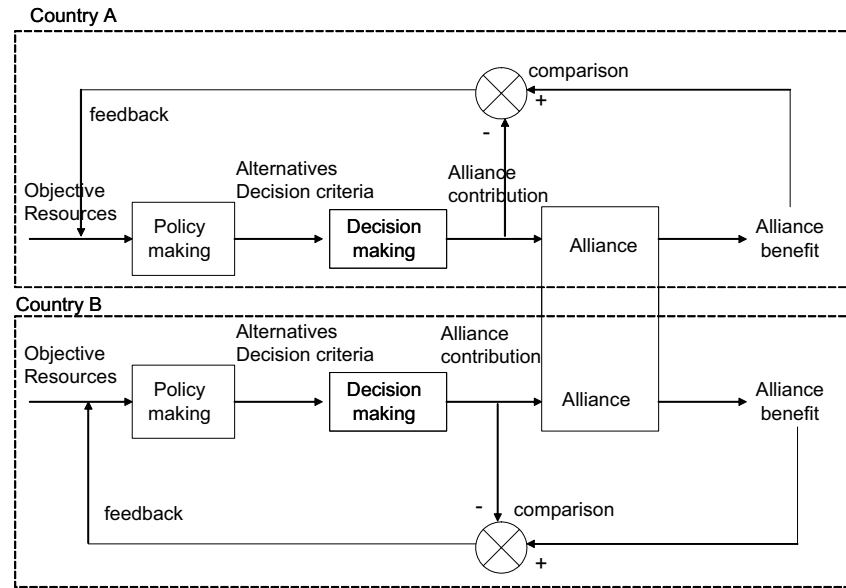


Figure 3.3 - Block diagram on a conceptual feedback model on making policies and decisions on alliance contributions

Alliance contributions change as a result of political process in the government. In order to explain this aspect, John Kingdon's model on agenda setting in public policy making process based on the concepts: "agenda" and "problems, policy, and politics," is helpful.<sup>17</sup> According to Kingdon, the agenda is "the list of subjects or problems to which government officials are paying some serious attention at any given time" (p.3). There are two kinds of agendas: "government agenda," which is the list of subjects that are getting attention," and "decision agenda," which is "the list of subjects within the governmental agenda that are up for an active decision" (p.4). His theory on public policy making is that setting of "agenda" needs "coupling" of three streams: problem, policies, and politics. Kingdon argues that "issues rise on the agenda when three streams are jointed together at critical moments in time," labeling these moments "policy windows," which are opened "by compelling problems or by events in the political stream" and seized upon by "policy entrepreneurs," who is willing to invest their "time, energy, reputation, money" to initiate an action. When the "coupling" of the streams becomes more perfect, the status of "agenda" becomes more of "decision agenda" rather

<sup>17</sup> Kingdon, John W., *Agendas, Alternatives and Public Policies*, 1984, 2nd edition (1995), Longman: New York.

than “government agenda.” Using his term, it would be necessary to seize a policy window to influence alliance contributions which may open as a result of “coupling” in the policy process of the government. The following is the excerpt from Kingdon’s book on how he defines each of those three streams.

Problem stream (=definition of problem)

“One influence on agendas might be the inexorable march of problems pressing in on the system. A crisis or prominent event might signal the emergence of such problems. ... Another way of becoming aware of a problem might be change in a widely respected indicator.” (p.16) “Problems are often not self-evident by the indicators. They need a little push to get the attention of people in and around government. That push is sometimes provided by a focusing event like a crisis or disaster that comes along to call attention to the problem, a powerful symbol that catches on, or the personal experience of a policy maker.” (p.95)

Policy stream (=generation of policies)

“A second contributor to governmental agendas and alternatives might be a process of gradual accumulation of knowledge and perspectives among the specialists in a given policy area, and the generation of policy proposals by such specialists.” (p.17)

Political stream

“Third, political processes affect the agenda. Swings of national mood, vagaries of public opinion, election results, changes of administration, and turnover in Congress all may have powerful effects.” (p.17)

What is the relationship between agenda setting in Kingdon’s discussion and the policy environment, which I have been discussing? Various streams (problem, policies, and politics) in the Kingdon’s terms are possible to form within the limit given by the environment. For example, for a one policy environment PE, a range of problem stream ( $\text{Problem}_1, \dots, \text{Problem}_M$ ), a range of policy stream ( $\text{Policy}_1, \dots, \text{Policy}_N$ ), and a range of politics stream ( $\text{Politics}_1, \dots, \text{Politics}_O$ ) can be formed, and they become a part of policy environment. Maybe the streams formed join or do not join together. But there would be a policy environment, where it is difficult to form the streams that join, or a policy environment where forming the streams that join is relatively easy. In other words, a combination of the streams ( $\text{Problem}_m, \text{Policy}_n, \text{Politics}_o$ ) has either high or low susceptibility to “coupling.” In addition, not only the point in policy environment but also the history, that is, on what path the environment variables has been changing, matters too, for the forming of streams that are more or less susceptible to their “coupling.”

Kingdon explains as the “coupling” of those streams as follows:

“We conceive of three process streams flowing through the system – streams of problems, policies, and politics. They are largely independent of one another, and each develops according to its own dynamics and rules. But at some critical junctures the three streams are joined, and the greatest policy changes grow out of that coupling of problems, policy proposals, and politics.” (p.19)

“The availability of a viable alternative is not a sufficient condition for a high position on a decision agenda, since many good proposals kick around the system for a long time before the lightning strikes. But the chances for a problem to rise on the governmental agenda increase if a solution is attached to the problem. The chances for a problem to rise on the decision agenda are dramatically increased if a solution is attached.” (p.143)

### 3-3. Relations of the two conceptual models

How is this model on agenda setting related to the model that assumes that the government takes a rational reaction to the change in policy environment? One way to think is to look at those two models as separate stages in a sequence as in Figure 3.3. A policy process could be conceptualized as follows:

- 1) Identify problems (agenda/priority setting),
- 2) Find policy alternatives (including policy innovation) to solve the problem,
- 3) Evaluate policy alternatives and choose a policy alternative based on a evaluation criteria (for example, based on benefit cost analysis, cost effectiveness analysis, or utility maximization), under a set of constraints (budget, time, people, etc), and
- 4) Implement the policy the policy makers chose in 3)

One standard textbook on public policy making explains first, policy formation (topics include policy problems, policy agendas, agenda setting process, formulation of policy proposals, etc.) and second, policy adoption (topics include theories of decision-making, decision criteria, styles of decision-making, etc.).<sup>18</sup> So the four stages above is a standard treatment on policy making process. In the first stage, that is, the stage for agenda setting and priority setting on which problem to solve, consensus building on agenda and priority is necessary. This consensus building on problems is a political process involving government agencies, and the Diet or the Congress. In the second and third stages, evaluation of policies using objective criteria, for example, comparison of benefit and cost, or (expected) utility maximization becomes more important than political consensus building.

Going back to the discussion on alliance contribution, I did not include the political process on agenda setting or priority setting in the economic model, as the utility function framework assumes a single policy maker<sup>19</sup> and does not pay attention to a political process involving multiple policy makers.

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<sup>18</sup> Anderson, James E., *Public Policymaking: An Introduction*, Boston: Houghton Mifflin Company, 1997. The author of this textbook emphasized the importance of “policy problems” saying that “Older studies of policy formulation devoted little attention to the nature and definition of public problems. Instead, problems were taken as “givens,” and analysis moved on from there. However, it is now conventional wisdom that policy study that does not consider the characteristics and dimensions of the problems that stimulate government action is less than obsolete.” (p.93)

<sup>19</sup> See footnote 9 in chapter 1 on a single player assumption of the study using expected utility theory to explain decisions related to war by Bueno de Mesquita, Bruce, *The War Trap*, Yale University Press, 1983.

Another way to think is to look at the difference in perspectives of the two models. In Figure 3.4, I list three kinds of perspectives to look at a policy-making process: comprehensive-rational process, incrementalism, and agenda-setting. The comprehensive-rational process and incrementalism are classified based on two axes: rational or non-rational, and comprehensive or non-comprehensive. Agenda setting is related to the three streams which I explained above, and Kingdon did not construct the theory on agenda setting in relation to those two axes. In other words, the first and second perspectives, and the third perspective belong to different categories. Alliance contribution model is a rational model, since it is based on utility maximization, and a comprehensive rather than incomprehensive model, since the model intends to include all the key variables relevant to the decision on alliance contributions. But in order for a discontinuous change to happen in a policy making process, no matter how comprehensive and rational the discontinuous change would be, more condition such as the coupling of the three streams would be necessary. Kingdon's explanation on those differences in perspectives is as follows:

“Comprehensive, rational policy making is portrayed as impractical for the most part, although there are occasions where it is found. Incrementalism describes parts of the process, particularly the gradual evolution of proposals or policy changes, but does not describe the more discontinuous or sudden agenda change. Instead of these approaches, we use a revised version of the Cohen-March-Olsen garbage can model<sup>20</sup> of organizational choice to understand agenda setting and alternative generation.” (p.19)

Graham Allison explained the U.S. and the Soviet Union's decision makings during the Cuban Missile Crisis in 1962 using three models: Model I: the rational actor model, Model II: organizational behavior, and Model III: governmental politics.<sup>21</sup> He explained “incrementalism” as one of the general propositions in the Model II (“Limited Flexibility and Incremental Change,” p.180)<sup>22</sup> In Model II, organizational decision is characterized by bounded rationality and standard operational procedures (SOP), or routines. The government, as an organization, makes a decision not based on “logic of consequences” as in Model I, but “logic of appropriateness.” In the “logic of consequences,” “actions are chosen by evaluating their probable consequences for the preferences of

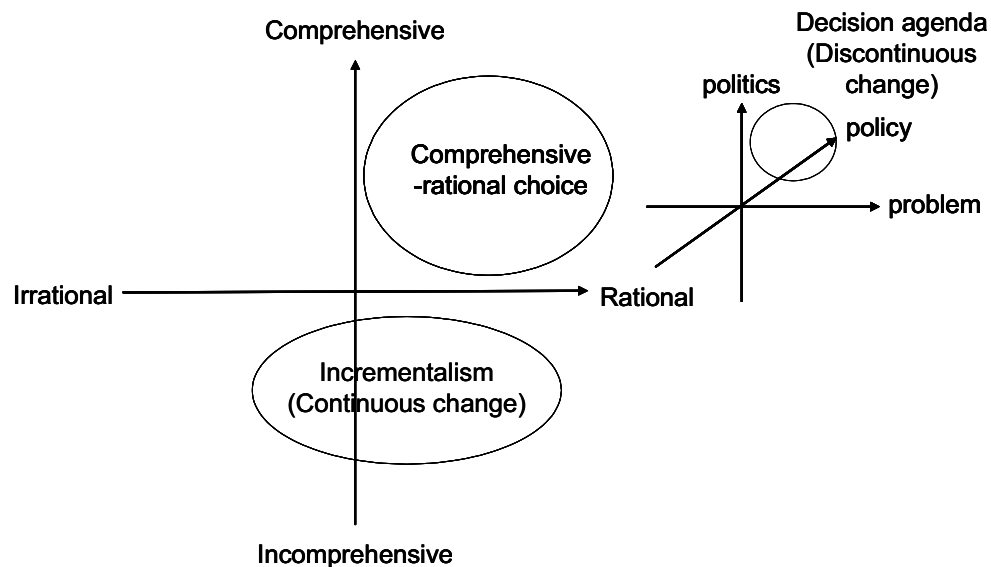
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<sup>20</sup> Kingdon's model is based on “garbage can model” on decision-making in an organization by Cohen, March, and Olsen. They explained that “to understand processes within organizations, one can view a choice opportunity as a garbage can into which various kinds of problems and solutions are dumped by participants as they are generated.... Such a theory of organizational decision making must concern itself with a relatively complicated interplay among the generation of problems in an organization, the deployment of personnel, the production of solutions, and the opportunities for choice” (p.2). Cohen, Michael D., James G. March, and Johan P. Olsen, “A Garbage Can Model of Organizational Choice,” *Administrative Science Quarterly*, March 1972, pp.1-25.

<sup>21</sup> Allison, Graham T. and Phillip D. Zelikow, *Essence of Decision: Explaining the Cuban Missile Crisis*, 2nd Edition, Longman: New York, 1999.

<sup>22</sup> Allison/Zelikow explained on characteristics of “incrementalism” that: “1. Organizational budgets change incrementally. 2. Organizational culture, priorities, and perceptions are relatively stable. 3. Organizational procedures and repertoires change incrementally. 4. New activities typically consist of marginal adaptations of existing programs and activities. 5. A program, once undertaken, is not dropped at the point where objective costs outweigh benefits.” (p.180)

the actor.” But, in the “logic of appropriateness,” “actions are chosen by recognizing a situation as being of a familiar, frequently encountered, type, and matching the recognized situation to a set of rules.” (p.146) Allison and Zelikow’s book (2nd edition of the book *Essence of Decision* by Allison, 1999) explained Kingdon’s agenda-setting model as the Model III (“Framing Issues and Setting Agendas,” p.280) So I could say that three circles in Figure 3.4 correspond to the decisions in Model I, Model II, and Model III respectively, if I use the terms of the Allison’s decision making models.



Note: based on the concepts in Kingdon (1984)

Figure 3.4— Decision agenda, incrementalism and comprehensive-rational choice

### 3-4. The two conceptual models and alliances

How are those conditions on changes in alliance contributions derived from the conceptual models relevant to explain changes in the composition of alliance contributions in an alliance in history? This is an empirical question. The following are brief observations and the interpretations of some aspects.

[Example 1: War on terrorism for the United States]

Threats from international terrorism increased in 2001. Security concern became especially important for the national well-being. As the military superpower which has the largest stock of armaments, the importance of alliance autonomy relative to armaments became higher for the U.S. alliances from the standpoint of the U.S. to fight with the terrorists who operate on a global level. However, some U.S. allies did not like to provide much autonomy, since the cost of providing alliance autonomy became high for those countries from conflicts of interests with other allies. Instead of traditional military alliance frameworks, “coalition of the willing” was used for the



operation. The countries in the group, for which the cooperation with the U.S. gained importance from various reasons of each country, provided alliance autonomy to the U.S. outside the traditional alliance frameworks.

- A change of a security function changes contributions.
- A change of an alliance function changes contributions.
- A change of the cost of alliance autonomy changes contributions.

[Example 2: U.S.-Germany relationship]

Security threats from the East receded in the 1990s. Since joint military actions became less important for coping with the security threats, the alliance's importance relative to own armaments became less for increasing its security. In addition, instead of the security, non-armament goods for coping with the unification process gained importance for the national well-being. Those changes could lead to a decrease of alliance contributions, but the reduction of contributions through armament compared to through alliance autonomy was less reflecting armament's joint product characteristic. While the allies reduced contributions to the NATO alliance, there were countries who were interested in joining the alliance, since joining the alliance would give new members spillovers from the accumulated alliance goods, which were large enough to compensate for the loss of policy autonomy for them. NATO members agreed to allow new membership to the countries that formerly belonged to the enemy bloc. NATO promoted cooperation with those countries through the Partnership for Peace program. When the expansion of the alliance reduces the threats and increases the alliance goods, that would benefit Germany, who could receive new sources of alliance contributions and experience reduction of military threats to the alliance. Also the utility of European allies increases as a result of increase of autonomy from the U.S. European countries are developing the European Security and Defense Policy (ESDP) in the European Union, which could affect the U.S.'s role in NATO.

- A change of a security function changes contributions.
- A change of a utility function changes contributions.
- A change of an alliance function changes contributions.

[Example 3: the U.S.-South Korea alliance]

North Korea has been increasing its military capability by developing long range missiles and nuclear weapons since the early 1990s. The importance of the alliance with the U.S. for South Korea increased since it could not cope with the military threats by itself. In November 1995, the U.S. concluded the first multi-year Special Measures Agreement (SMA) with South Korea, covering the period 1996-1998. Under this SMA, South Korea agreed to increase its direct cost sharing contribution, which was \$300 million in 1995, by 10 percent each year to \$399 million in 1998.

However, after the Asian financial crisis in 1997, the U.S. and South Korea reduced this amount to \$314 million to preserve the value of the original obligation while taking into account the new exchange rate. After the recovery from the crisis, the U.S. and South Korean governments concluded a next three-year SMA (2002-2005) in 2002. South Korea pledged \$490 million for 2002, 15 percent increase over the 2001 contribution of \$425 million. Under the new SMA, South Korean contributions will increase by 8.8 percent plus inflation in both 2003 and 2004. By these increase rates, South Korea tries to contribute 50 percent of stationing costs by 2004.<sup>23</sup> Meanwhile, the cost of provision of alliance autonomy increases, if anti-Americanism grows stronger among the South Korean population. South Korea tries to strengthen the alliance and to increase alliance contributions, but South Korea will increase contributions through armaments not through alliance autonomy.

- A change of a security function changes contributions.
- A change of initial endowments changes contributions.
- A change of cost of alliance autonomy changes contributions.

[Example 4: the U.S.-Philippines alliance]

Based on the 1947 Military Bases Agreement, the U.S. maintained two major bases in the Philippines: the Clark Air Base and the Subic Bay Naval Complex, until November 1992. The new constitution adopted in 1987, after the ousting of President Marcos in 1986, stated that after the Military Bases Agreement expired in 1991, foreign bases are allowed only if a new treaty is approved by the two-thirds votes of the Senate and further is ratified by a majority of the votes of the public when the Congress requires so.<sup>24</sup> In 1991, the U.S. and Philippines had an agreement on a draft treaty to allow the U.S. the use of the Subic Bay Naval Base for 10 years. The eruption of Mt. Pinatubo damaged the Clark Air Base, so the U.S. decided to abandon it and the draft treaty did not include the use of the Clark Air Base. But the Philippine Senate rejected the ratification of the treaty in September 1991. The Philippine government informed the U.S. to withdraw within a year in December 1991. The U.S. forces withdrew the Philippines by November 1992.<sup>25</sup> Why did the Philippine senate reject the treaty and why did the public support the decision? One interpretation of the decision is that a coupling of problems, policies, and politics streams took place, being promoted

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<sup>23</sup> Department of Defense, *Report on Allied Contributions to the Common Defense 2002*, p.II-12. *Report on Allied Contributions to the Common Defense 2003*, p.II-21.

<sup>24</sup> The Constitution of the Republic of the Philippines, 1987, Article XVIII Transitory Provisions, SEC. 25. "After the expiration in 1991 of the Agreement between the Republic of the Philippines and the United States of America concerning Military Bases, foreign military bases, troops, or facilities shall not be allowed in the Philippines except under a treaty duly concurred in by the Senate and, when the Congress so requires, ratified by a majority of the votes cast by the people in a national referendum held for that purpose, and recognized as a treaty by the other contracting State."

<sup>25</sup> Information based on Bureau of East Asian and Pacific Affairs, U.S. Department of State, Background Note, Philippines, October 2003, <http://www.state.gov/r/pa/ei/bgn/2794.htm>

by some policy entrepreneurs in the Senate. In this case, the problem stream was how to recover sovereignty, politics stream was nationalistic public mood after the end of the Marcos administration and anti-Americanism caused by the past U.S. support for the undemocratic Marcos administration, and policy stream was the return of U.S. bases and utilization of the land for their own development.

- A coupling of the streams changes contributions suddenly.

[Example 5: the U.S.-Japan military alliance]

Japan's contributions to the military alliance with the U.S. have changed in terms of the balance of financial and security elements, while the Japanese government has held its share of defense spending to GDP constant at about 1 percent during the past 30 years. The change in alliance contributions was related to the shift in environment (economic and security) surrounding the alliance in 1970s, 1980s and 1990s. How can I explain the past change in alliance contributions and how should the Japanese government change now?

Among those examples, the case of the U.S.-Japan alliance above is explored in detail as a case study, in Part II of the study.

*Part II:*

*Case Study*



## *Chapter 4*

### *Analytic framework for the U.S – Japan Security Alliance*

In the following chapters 4-6, I apply the conceptual models I explained in the last chapter to the analysis of Japan's alliance contributions for the U.S.- Japan security relationship. In particular, I focus on Japan's Host Nation Support (HNS) for the U.S. forces stationing in Japan as a key and characteristic component of Japan's alliance contributions.

In this chapter, I first explain the case study design of this study. Second, I explain the legal obligations stipulated in the U.S.-Japan Security Treaty and the Status of Forces Agreement, and the obligations' characteristics. Third, I explain the meaning of HNS in relation to the treaty obligations. Fourth, I explain the analytic framework which is derived from the conceptual model on alliance contributions explained in the last chapter in a way appropriate to Japan's alliance contributions to the U.S.-Japan alliance.

#### 4-1. Case Study

According to a textbook on case study research<sup>1</sup>, there are three rationales for choosing a single-case design as opposed to multiple-case design. First, the case in a single-case design represents a "critical case in testing a well-formulated theory." For example, the case may provide the evidence to refute a theory in its weakest spot. Second, the case represents "an extreme or unique case." For example, studying operations of one excellent company may provide a list of "best practices" which other companies may be able to emulate, or studying a catastrophic failure at a nuclear power station may provide new findings on human errors which engineers can use later to construct a better system. Third, the case is a "revelatory case" (although may not be extreme or unique.)<sup>2</sup> For example, a case on unemployed blacks in one neighborhood may provide hypotheses on unemployment of minority<sup>3</sup>.

In this study on security alliance, the U.S.-Japan security alliance as a case satisfies the second rationale ("extreme or unique") in that this security alliance is rare in terms of its longevity and, I expect, satisfies the third rationale in that there are variations in key variables in the alliance

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<sup>1</sup> Yin, Robert K., *Case Study Research: Design and Methods*, Applied Social Research Methods Series, Vo.5, Second Edition, 1994, pp.38-40.

<sup>2</sup> In a sense, first and second categories are revelatory too.

<sup>3</sup> In this case, findings or hypotheses are not generalizable to unemployment of minority. However, the findings have general value for understanding unemployment of minority, in a sense that this study discovers the hypotheses, which later studies will be able to put to more rigorous test. Also, in the second category of "extreme and unique" case, findings may have general value to cases other than the case under study. The findings in the case, for example, best practices at one school, where, say, the annual increase of average math score of students was No.1 in California, may provide insight for educators, although may not work in another school.

contributions model, in other words, there are variations both in environment such as economic and security conditions, and in size and types of alliance contributions.

The purpose of the case study is to examine the validity of conceptual models. I examine how applicable and useful the alliance contribution models are to explain the change in composition of alliance contributions. First, I look in a narrow focus at the characteristics of the decision process related to HNS program from 1978 to 2000, in order to see the logic of the change of alliance contributions, especially in 1978, 1987, 1988, 1990, 1995 and 2000, when key decisions on HNS were made.

The process of development of HNS to the current large size should include major shifts in the composition of alliance contributions of Japan. Returning to the three criteria for choosing a single case in case study design, that is, 1. “critical case in testing a well-formulated theory,” 2. “extreme or unique case,” and 3 “revelatory case,” the HNS in the U.S.-Japan security alliance satisfies the second and third conditions.

Second, I examine the effect of environment variables on alliance contributions more broadly, including HNS and other kinds of contributions, in order to see whether the changes are as I can expect from the models. I group the 6 years above into five periods: 1) late 1970s, 2) late 1980s, 3) early 1990s, 4) mid 1990s, and 5) late 1990s.

Before explaining an analytic framework in section 4, I explain briefly characteristics of the U.S.-Japan alliance and the Host Nation Support program.

#### 4-2. U.S.-Japan Security Alliance in Perspective

The U.S.-Japan security alliance is one of the few alliances which lasted more than 50 years, even when you include all the alliances since the early 19th century (Table 4.1). During the long period of over 50 years which includes the Cold War (1950s, 1960s, 1970s, and 1980s), the post-Cold War (1990s) and the post 9-11 terrorist attack periods (2000s), the Japanese government has been changing the composition of alliance contributions. As a result, the U.S.-Japan security alliance becomes a good case for the analysis of this study, since first there are variations in environmental variables as inputs and alliance contributions as outputs, and second the relationship between the inputs and the outputs is easier to interpret in a bilateral security alliance like the U.S.-Japan security alliance than a multilateral security alliance such as NATO<sup>4</sup>.

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<sup>4</sup> Since the behaviors of all allies other than the ally I am interested in affect the effectiveness of alliance, I have to look at each ally's behavior, that is, how much and what types of alliance contributions the ally make, in order to know the change in effectiveness of the alliance. Of course, if I pay attention only to one indicator, for example, defense spending of each ally, it becomes easier to measure the each ally's alliance contribution, but I look at other types of alliance contributions in this study.

Table 4.1 - Alliances that lasted more than 50 years (1816-2004)

Members	Inception	Termination (Reason)	Duration (years)	Class
England, Portugal	1899	1949 (NATO)	50	1
Afghanistan, Soviet Union	1926	1979 (Invasion)	53	2
Mongolia, Soviet Union	1936	1991 (breakup of Soviet.U)	55	1
U.S. and 22 Latin American countries (Rio treaty)	1947	-	57+	1
Finland, Soviet Union	1948	1991 (Soviet.U)	53	1
U.S. and European countries (NATO)	1949	-	55+	1
United States, Japan	1951	-	53+	1
United States, South Korea	1953	-	51+	1
United States, Philippines	1953	-	51+	1

Note: Data are from Correlates of War project and Small and Singer (1969). Class 1 is defense pacts, Class 2 is neutrality pacts, and Class 3 is ententes.

#### *Obligations under the Security Treaty*

The U.S. and Japan concluded a security treaty in 1951<sup>5</sup> when Japan recovered its sovereignty by concluding San Francisco Treaty with allied powers of World War II<sup>6</sup>. The U.S. and Japan agreed in 1960 to revise the 1951 security treaty so as to add the clause on the American obligation to support Japan when Japan is attacked, to delete the clause to grant the U.S. forces the right to intervene in case of “large-scale internal riots and disturbances in Japan” (Article I, 1951 treaty)<sup>7</sup>, and to delete the clause that necessitates the U.S.’s prior consent when Japan provides other countries with the access to military bases in Japan (Article II)<sup>8</sup>. The revised security treaty in 1960, which

<sup>5</sup> Security Treaty Between Japan and the United States of America, September 8, 1951.

<sup>6</sup> Forty seven counties, which did not include the Soviet Union and China, and Japan signed San Francisco Treaty. The Soviet Union refused to sign the treaty and neither representatives of the Republic of China nor the People’s Republic of China were invited to sign. The Soviet Union and Japan signed Japan-Soviet Joint Declaration in 1956 and reestablished a diplomatic relation. The Republic of China and Japan concluded a Treaty of Peace in 1952.

<sup>7</sup> ARTICLE I (original security treaty of 1952)

Japan grants, and the United States of America accepts, the right, upon the coming into force of the Treaty of Peace and of this Treaty, to dispose United States land, air and sea forces in and about Japan. Such forces may be utilized to contribute to the maintenance of international peace and security in the Far East and to the security of Japan against armed attack from without, including assistance given at the express request of the Japanese Government to put down large scale internal riots and disturbances in Japan, caused through instigation or intervention by an outside power or powers.

<sup>8</sup> ARTICLE II (original security treaty of 1952)

During the exercise of the right referred to in Article I, Japan will not grant, without the prior consent of the United States of America, any bases or any rights, powers or authority whatsoever, in or relating to bases or the right of garrison or of maneuver, or transit of ground, air or naval forces to any third power.



remains in force up to the present without any revisions afterwards, stipulates that the U.S. has an obligation to support Japan if Japan is attacked (Article V) (see below). Japan has an obligation to provide the U.S. with "facilities and areas" in Japan, so that the U.S. forces can protect Japan and maintain international peace and security in the Far East (Article VI). Japan has also an obligation to support the U.S., if the U.S. bases or the U.S. forces operating in the "territories under the administration of Japan," are attacked (Article V). However, Japan does not have an obligation under the treaty to support the U.S. if the U.S. is attacked outside the territories of Japan such as in the mainland America.<sup>9</sup> With regard to "facilities and areas," in other words, military bases, the U.S. does not have an obligation to provide facilities and areas for Japanese forces in the U.S. territories. Thus, from the beginning, the obligations stipulated in the treaty make the U.S.-Japan security alliance relationship asymmetrical in terms of the types of core alliance contributions each country are obliged to provide.

[Treaty of Mutual Cooperation and Security Between Japan and the U.S., June 23, 1960]

Article V

Each Party recognizes that an armed attack against either Party in the territories under the administration of Japan would be dangerous to its own peace and safety and declares that it would act to meet the common danger in accordance with its constitutional provisions and processes.

Article VI

For the purpose of contributing to the security of Japan and the maintenance of international peace and security in the Far East, the United States of America is granted the use by its land, air, and naval forces of facilities and areas in Japan.

Three factors strengthened this asymmetrical character of alliance relationship coming from the obligations under the treaty. First is Japan's Constitutional constraint (Article 9) on the use of forces. Second is Korea's and China's sensitivities towards Japan's military activities, which arose from colonization of and military aggression to those countries in the past. Third is anti-militarism sentiment among Japanese population after World War II. Those factors make it difficult for Japan to expand alliance contributions in military activities beyond legal obligations under the treaty. As a result, non-military contributions of Japan including the provision of land for the U.S. forces and military contributions of the U.S. including maintenance of deterrence against enemy forces have dominated the security relationship. Having this clear demarcation both as a cause and an effect, military cooperation did not begin until the late 1970s and the scope of cooperation was limited.

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<sup>9</sup> U.S.-Japan security alliance is different from NATO in that NATO countries are obliged to support the U.S. when the U.S. is attacked in North America. Article 5 of NATO treaty (1949) stipulates that "The Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all; and consequently they agree that, if such an armed attack occurs, each of them, in exercise of the right of individual or collective self-defense recognized by Article 51 of the Charter of the United Nations, will assist the Party or Parties so attacked by taking forthwith, individually and in concert with the other Parties, such action as it deems necessary, including the use of armed force, to restore and maintain the security of the North Atlantic area."

There was no joint strategy except for direct attack on Japan until the late 1990s and has been no joint command structure for Japanese forces and U.S. forces stationing in Japan.<sup>10</sup> When there was imbalance in alliance contributions, or perception of the imbalance, it was easier to find ways to increase alliance contributions in non-military area such as provision of financial support.<sup>11</sup>

The Status of Forces Agreement (SOFA) between the U.S. and Japan in 1960<sup>12</sup> governs the use of facilities and areas in Japan by the U.S. forces, and the legal status and other administrative matters of the U.S. forces and their personnel stationing in Japan. SOFA is a bilateral administrative agreement under Article VI of the Security Treaty, which obliges Japan to grant the U.S. the right for “the use by its land, air, and naval forces of facilities and areas in Japan.” Article XXIV of SOFA stipulates on the division of costs necessary for maintaining U.S. bases in Japan (see below). According to the second paragraph of Article XXIV of SOFA, Japan provides “all facilities and areas and rights of way” “without cost to the United States and make compensation where appropriate to the owners and suppliers thereof.” The U.S. side bears “without cost to Japan all expenditures incident to the maintenance of the United States armed forces in Japan except those to be borne by Japan as provided in paragraph 2.” Simply put, Japan provides bases to the U.S. without cost to the U.S., and the U.S. pays the cost for operation of forces in the bases.<sup>13</sup> This forms the basic principle of the cost-sharing between the U.S. and Japan about the U.S. stationing forces.<sup>14</sup>

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<sup>10</sup> Smith, A. Sheila, “The Evolution of Military Cooperation in the U.S.- Japan Alliance”, in Chapter 4, *The U.S.-Japan Alliance: Past, Present, and Future*, A Council on Foreign Relations Book, Edited by Michael J. Green and Patrick M. Cronin, 1999, p.69.

<sup>11</sup> Opinion calling for a change of the past character of the alliance, by the former Prime Minister, Hosokawa, Morihiro, “Are U.S. Troops in Japan needed?: Reforming the Alliance,” *Foreign Affairs*, July/August 1998, pp.2-5.

<sup>12</sup> “Agreement under Article VI of the Treaty of Mutual Cooperation and Security between Japan and the United States of America, Regarding Facilities and Areas and the Status of United States Armed Forces in Japan,” signed at Washington on January 19, 1960, with the U.S.-Japan security treaty.

<sup>13</sup> In the agreement on the status of U.S. forces in Japan (1952 SOFA) accompanying the original 1951 Security Treaty (“Administrative Agreement under Article III of the Security Treaty between the United States of America and Japan,” February 28, 1952), Article XXV stipulates the principle of cost-sharing for the maintenance of the U.S. stationing forces. Paragraph 1 and paragraph 2 (a) of the 1952 SOFA corresponds exactly to paragraph 1 and paragraph 2 of the 1960 SOFA, but the 1952 SOFA includes paragraph 2 (b) which states that “Make available without cost to the United States, until the effective date of any new arrangement reached as a result of periodic reexamination, an amount of Japanese currency equivalent to \$155 million per annum for the purpose of procurement by the United States of transportation and other requisite services and supplies in Japan....” This clause, which asks Japan to share part of operating cost of the U.S. forces (transportation, other requisite services, and supplies) was deleted in the 1960 SOFA. In other words, the 1960 SOFA made clearer the cost-sharing principle that the U.S. should bear the cost for operating the U.S. bases in Japan once Japan provides them with the U.S.

<sup>14</sup> The principle of cost-sharing between the U.S. and South Korea for the U.S. forces stationing in South Korea is the same as that of Japan, under the framework stipulated by the Status of Forces Agreement of both countries. The Article V of the Status of Forces Agreement between the U.S. and Republic of Korea (“Agreement under Article IV of the Mutual Defense Treaty between the United States of America and the Republic of Korea, Regarding Facilities and Areas and the Status of United States Armed Forces in the Republic of Korea,” July 9, 1966, amended January 18, 2001) stipulates the principle as follows. The Article V was not revised in the revision of the SOFA in January, 2001.

[Status of Forces Agreement, January 19, 1960]

ARTICLE XXIV

1. It is agreed that the United States will bear for the duration of this Agreement without cost to Japan all expenditures incident to the maintenance of the United States armed forces in Japan except those to be borne by Japan as provided in paragraph 2.
2. It is agreed that Japan will furnish for the duration of this Agreement without cost to the United States and make compensation where appropriate to the owners and suppliers thereof all facilities and areas and rights of way, including facilities and areas jointly used such as those at airfields and ports, as provided in Articles II and III.

#### 4-3. Japan's Host Nation Support

Japan's Host Nation Support (HNS) started in 1978 as an exception to this principle.<sup>15</sup> The purpose of the HNS was to increase Japan's burden-sharing in the U.S.-Japan alliance by paying the part of operational expenses of the U.S. forces in Japan which the U.S. forces have to pay by local currency, such as salary of Japanese workers working at U.S. military bases in Japan.<sup>16</sup> U.S. State Department document explains that HNS is "the term used to describe the financial support provided by allies towards maintaining forward-deployed U.S. military forces on their soil."<sup>17</sup> In this study, the meaning of HNS roughly refers to the narrow definition, that is, peace-time support for stationing forces including financial support. By this Japan's program, the U.S. could decrease the cost of maintaining bases when the Japanese Yen appreciated sharply against U.S. dollars in the late

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Article V. Facilities and Areas -- Cost and Maintenance.

1. It is agreed that the United States will bear for the duration of this Agreement without cost to the Republic of Korea all expenditures incident to the maintenance of the United States armed forces in the Republic of Korea, except those to be borne by the Republic of Korea as provided in paragraph 2.
2. It is agreed that the Republic of Korea will furnish for the duration of this Agreement without cost to the United States and make compensation where appropriate to the owners and suppliers thereof all facilities and areas and rights of way, including facilities and areas jointly used, such as those at airfields and ports as provided in Articles II and III. The Government of the Republic of Korea assures the use of such facilities and areas to the Government of the United States and will hold the Government of the United States as well as its agencies and employees harmless from any third party claims which may be advanced in connection with such use.

So, Japan's large financial cost-sharing is not caused by the characteristics of the U.S.-Japan SOFA.

<sup>15</sup> On the other hand, Host Nation Support can be a broad concept. For example, field manual of the U.S. army states that "Host nation support (HNS) is the civil and military assistance provided by a Host Nation (HN) to the forces located in or transiting through that HN's territory" (Department of the Army, *The Army in Multinational Operations*, FM 100-8, Appendix D: Host Nation Support, November 1997). Or, NATO defines HNS as "civil and military assistance rendered in peace, emergencies, crisis and conflict by a Host Nation to Allied Forces and organisations which are located on, operating in or in transit through the Host Nation's territory" (NATO Office of Information and Press, *NATO Handbook*, 2001, p.177). As candidates for consideration on HNS, the Army manual lists accommodation, weapons and ammunition, communications, finance, fuel, local labor, maintenance, medical, movement, rations, supplies and equipment, translation, transportation and equipment, and water (Figure D-2).

<sup>16</sup> The number of Japanese employees at the U.S. bases in Japan was 21,017 in 1978 (Asagumo Shimbunsha, *Handbook for Defense 2002*, p.440).

<sup>17</sup> US State Department, "Overview: Host Nation Support Vital to Maintaining Alliances, Fighting Threats," Discussion of Host Nation Support from Japan, Republic of Korea, February 22, 2000.

1970s.<sup>18</sup> The size of the HNS in Yen had been continuously increasing since then until the mid 1990s by increasing the portion covered by HNS for the salaries of Japanese workers (See Figure 4.1 and 4.2). The size of the HNS increased also by adding new support categories such as utility expenses (electricity, gas and water) for the U.S. forces in Japan on a step-by-step basis in each of the five-year term agreements called Special Measures Agreement (SMA). The U.S. and Japan concluded the SMAs 4 times so far (first SMA revised one year later).

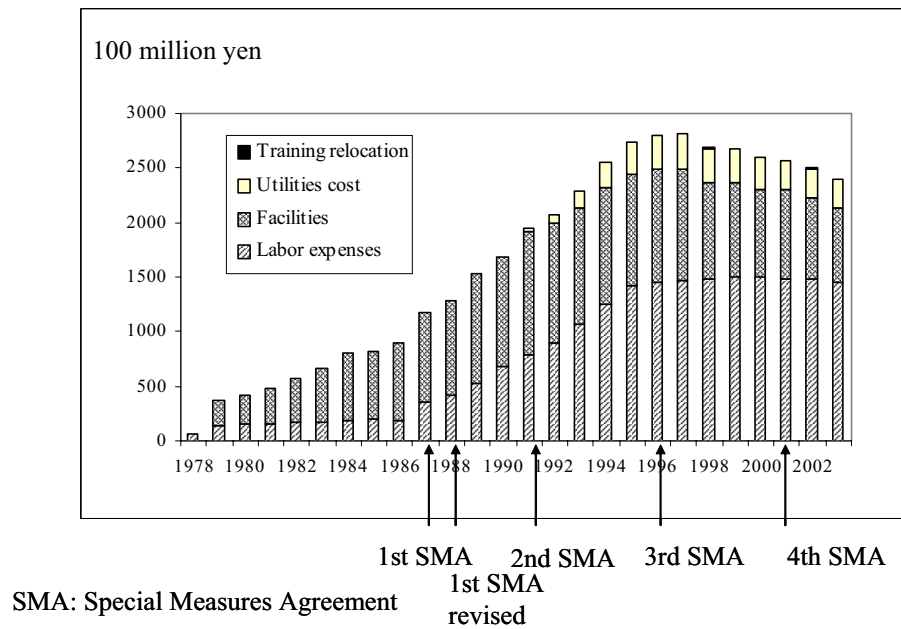
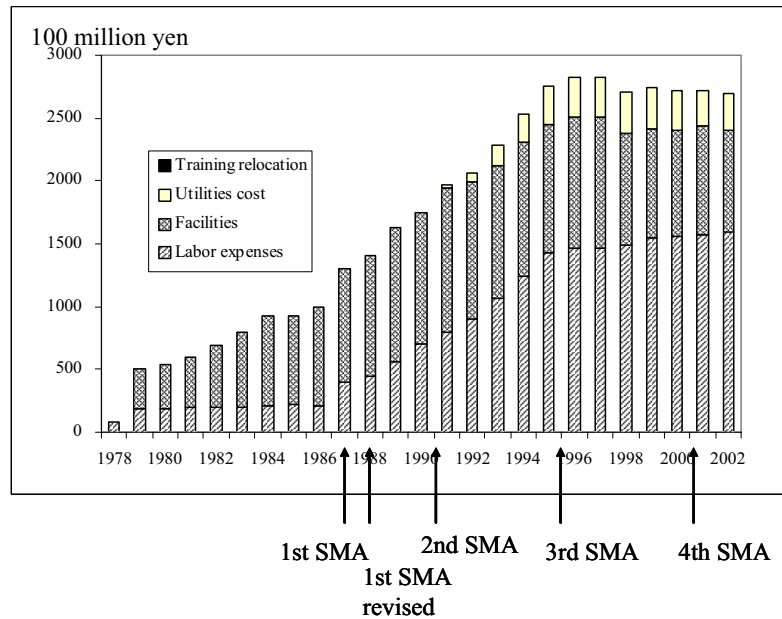


Figure 4.1 – Host nation support for U.S. forces in Japan (1978-2003, current price)

<sup>18</sup> Yen-dollar exchange rate (average annual rate, yen per dollar) was 296 in 1976, 268 in 1977, 210 in 1978, and 219 in 1979 (Bank of Japan). Currently (January 2005), the Yen-dollar exchange rate is 102.



Note: Data on GDE (GDP) deflators is from the Economic and Social Research Institute, Cabinet Office, <http://www.esri.cao.go.jp/jp/sna/qc034/gdemenuja.html>

Figure 4.2 – Host Nation Support for U.S. forces in Japan (1978-2002, 1992 calendar year price)

During this period, the budget for HNS increased from 6.2 billion yen in 1978 to 240 billion yen in 2003 (prices are unadjusted to inflation). The share of HNS to the size of GDP increased from less than 0.02 percent in the late 1970s to over 0.05 percent in the late-1990s (Figure 3).<sup>19</sup> When adding indirect expenses such as land fees and compensation to the local community to the direct expenses and expressing them in dollar terms, the size of HNS increased from 275 million dollars in 1976 (estimate of land fees (indirect cost) by the General Accounting Office<sup>20</sup>) to about 4.62 billion dollars in 2001 (estimate by the U.S. Department of Defense (DOD)<sup>21</sup>). The appreciation of Japanese

<sup>19</sup> Since the ratio of defense budget to GDP is about 1 percent in Japan, the share of HNS in defense budget was about 5 percent in the late 1990s.

<sup>20</sup> Indirect expenses such as land fees and compensation to the local community around bases are paid by the Japanese government prior to 1978, based on the Article VI of the Security Treaty. According to the report by the General Accounting Office, the rental cost for areas occupied by U.S. Forces in Japan averaged about 112 million dollars annually during 1974 to 1976. Department of Defense at that time did not have a detailed breakdown of what the government of Japan included on “payments to Japanese communities near U.S. bases (subsidies that include road improvements, noise abatement projects, etc.).” The report also states that Japanese government paid 163 million dollars in 1976, as one time cost for relocation and consolidation of facilities in U.S. bases. U.S. General Accounting Office, *The United States and Japan Should Seek a More Equitable Defense Cost-Sharing Arrangement*, ID-77-8, June 15, 1977, p.5.

<sup>21</sup> In 2001, direct support was 3456.63 million dollars and indirect support was 1158.22 million dollars (Department of Defense, *Report on Allied Contributions to the Common Defense 2003*, June 2003, p.B-21). The 2003 report does not include the data on direct and indirect support. In 2000, direct support was \$3,877 million and indirect support was \$1,126 million. Direct support (\$3,877 million) includes rent (\$802 million), labor (\$1,413 million), utilities (\$275 million), facilities (\$820 million) and miscellaneous (\$566 million). Indirect support (\$1,126 million) includes rent (\$912 million) and taxes (\$214 million). Dollar values for Japanese cost sharing are computed using the OECD exchange rate for 2000 (107.83 yen / dollar) (Department of Defense, *Report on Allied Contributions to the Common Defense 2002*, June 2002, p.D-8).

yen as well as increase of HNS budget of the Japanese government contributed to the increase of value of HNS for the U.S. (Figure 4). Figure 5 shows the change of local labor cost in dollars and change in its share of the U.S. and Japan. Japan's share in local labor costs increased and reached to 100 percent in 1995.

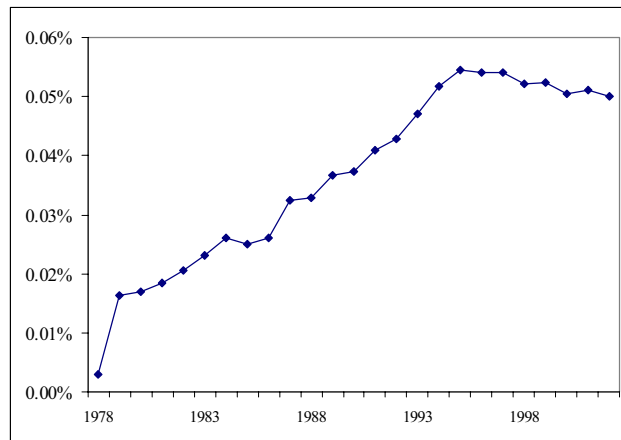
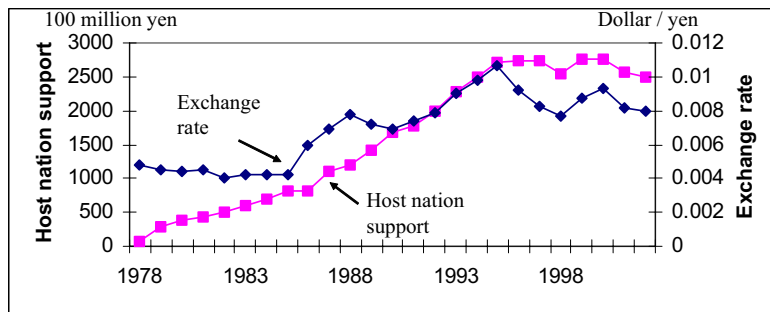


Figure 4.3 – Host nation support as percentage of Japan's GDP (1978-2003)



Increase rate	1980-84	1984-88	1988-92	1992-96	1996-2000
HNS (in yen)	85%	74%	65%	38%	1%
Exchange rate	-5%	85%	1%	16%	1%

Figure 4.4 – Host nation support (in yen) and exchange rate (dollar/yen)

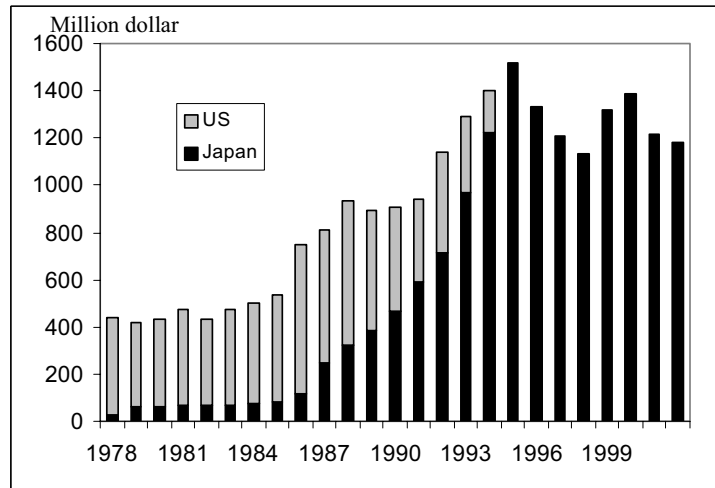


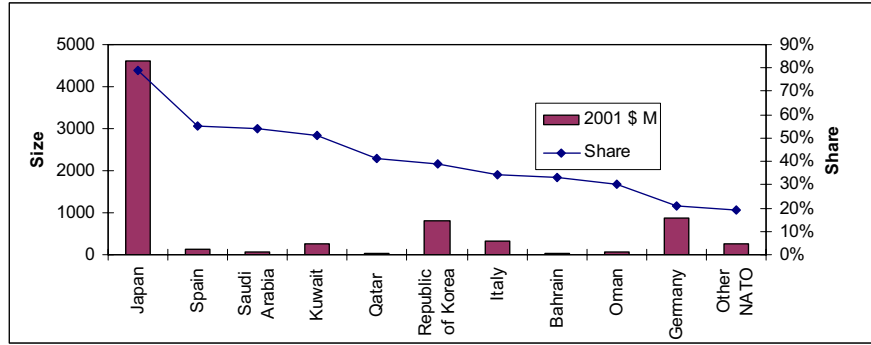
Figure 4.5 – Local labor cost (converted to dollars) and its shares by the U.S. and Japan (1978-2002)

According to the *Report on Allied Contribution to the Common Defense 2003* published by the U.S. DOD, the size of Japan's HNS (\$4.62 billion) is largest among all the U.S. allies and much larger than that of Germany (\$862 million) or South Korea (\$805 million), which are the second and third largest contributors respectively.<sup>22</sup> The large sizes of HNS for those countries reflect the size of U.S. stationing forces: 71,434 in Germany, 39,691 in Japan, and 37,972 in South Korea as of December 31, 2001.<sup>23</sup> The Japan's share of U.S. stationing costs (79 percent in 2001) is also high compared to other U.S. allies, for example, Germany (21 percent) or South Korea (39 percent).<sup>24</sup> Figure 6 shows that both the size of HNS and its share in the U.S. stationing costs are very high in Japan compared to other U.S. allies with various sizes of U.S. stationing forces. The share in Spain, Saudi Arabia, or Kuwait is over 50 percent, but the size is much smaller than in Japan: \$120 million in Spain, \$74 million in Saudi Arabia, \$248 million in Kuwait.

<sup>22</sup> Department of Defense, *Report on Allied Contribution to the Common Defense 2003*, p.II-7.

<sup>23</sup> Number of U.S. stationed military personnel. Department of Defense, 2003, p.II-6.

<sup>24</sup> The countries other than Japan whose share of U.S. stationing costs are or were over 50 percent during 1997-2001 include Italy (65% in 1997, 60% in 1998), Kuwait (51% in 2001), Norway (60% in 1998), Oman (79% in 2001), Qatar (65% in 1998, 41% in 2001), Saudi Arabia (88% in 1997, 58% in 1998, 68% in 1999, 80% in 2000, 54% in 2001) and Spain (55% in 2001). But there is no country other than Japan whose share has been consistently over 70 percent during the 5 years.



Source: based on data in Department of Defense, *Report on Allied Contribution to the Common Defense 2003*, p.II-7

Note: Includes both direct and indirect costs.

Figure 4.6 – Size and share of U.S. overseas stationing costs paid by allies (top 10 U.S. allies with high share of stationing costs, 2001)

#### 4-4. Analytic framework for Case Study

In the case study on HNS in Chapter 5, I focus on the characteristics of policy process that led to the decisions on HNS, and background environment of the decisions. The analysis is related more to the policy process model on alliance contributions. But the policy background related to the economic model on alliance contributions is also looked at. In the case study on the change in composition of alliance contributions as a whole in Chapter 6, I need to identify elements in alliance contribution vector other than HNS. I can perceive this vector functioning as a policy lever for manipulating the alliance system and for affecting its effectiveness in its given environment. There are various ways to represent alliance contributions by a vector depending on what element to include in a vector. In the nearly simplest form, I assume alliance contribution vector of Japan as,

$$\begin{bmatrix} \text{Granting right to station forces in Japan} \\ \text{Host Nation Support} \\ \text{Increase of scope of Japan's role in the Article VI emergency} \\ \text{Increase of scope of Japan's role in out of treaty areas} \\ \text{Increase of scope of Japan's role in the Article V emergency} \\ \text{Defense spending} \end{bmatrix},$$

and that for the U.S. would be identified as,

$$\begin{bmatrix} \text{Military assistance in the Article V emergency} \\ \text{Military assistance in the Article VI emergency} \\ \text{Stationing of forces in Japan} \\ \text{Defense spending} \end{bmatrix},$$

which is considered to Japan as “spillovers” from the alliance relationship with the U.S.

For Japan, “Granting right to station forces in Japan” is the obligation of Article VI of the Security Treaty. “Increase of scope of Japan’s role in the Article VI emergency” is, although not obligation of the treaty, to expand the scope of cooperation in case of the U.S. military activities around Japan for “the maintenance of international peace and security in the Far East” (Article VI),



for example, when a conflict takes place on the Korean Peninsula. Japan's contribution includes, for example, rear area support of the U.S. military. "Increase of scope of Japan's role in the Article V emergency" is to increase the role of Japanese military in direct attack of Japan or to prevent the attack, for example, by increasing responsibility of sea lane defense. "Increase of scope of Japan's role in out of the security treaty areas" is to increase the role of Japanese military in emergencies not related to either Article V or VI of the security treaty. For example, logistic support by Japan's military for the U.S. forces in Iraq is included in this category. I include "defense spending" for Japan because buildup of defense capability of Japan contributes to the increase of deterrence of the alliance, and also contributes to the reduction of burden for the U.S. to help Japan if Japan is under attack.<sup>25</sup>

For the U.S., "Military assistance in the Article V emergency" is the obligation of Article V, that is, to help Japan's defense when Japan is under direct attack. "Military assistance in the Article VI emergency" is the U.S. military's contribution, although not the treaty obligation, for "the maintenance of international peace and security in the Far East" (Article VI). "Stationing of forces in Japan" is the contribution based on Article VI for "the security of Japan and the maintenance of international peace and security in the Far East." I include "defense spending" for the U.S. because defense capability of the U.S. contributes to the increase of alliance's deterrence against neighboring countries of Japan.

I assume that, in these two vectors, the first to fourth elements for Japan, and the first and second elements for the U.S. correspond to "alliance autonomy." The fourth and fifth elements for Japan, and the third and fourth elements for the U.S. correspond to "armaments" in the alliance contribution model. Here I interpret "armaments" as what contributes to a country's defense directly. "Armaments" include not only weapons or forces but also more broadly the strategy on how

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<sup>25</sup> When one country increases military capability for defense, other countries are not sure that the increase of military capability is only for defense of the country. As a result, the country's increase of military capability for defense may lead to the increase of military capabilities of other countries, and the country may end up in the same level of security as before with more costs. Scholars in international relations theory call this logic "security dilemma." (Snyder, Glenn H., "The Security Dilemma in Alliance Politics," *World Politics*, Volume 36 Issue 4, July 1984, pp.461-495., p.461) In the context of alliance, for example, if one country has a alliance relationship with another country, and the another country's reckless foreign/security policy including rapid and unexpected increase of defense spending or other surprise actions makes neighboring countries nervous and insecure, and if those neighboring countries start a large scale defense buildup, which those countries may use in the future with unknown reason at this time, the increase of defense spending by the ally may not increase or rather decrease deterrence of the alliance. In this case, I cannot consider the increase of defense spending of the ally as alliance contributions, since it is rather alliance detriment. In case of Japan's security policy, the increase of defense spending of Japan may end up in the increase of defense spending, for example, of China. But I assume that this is not the case in this study, because first the China's defense spending continues to increase with an increase rate over 10% annually during the 1990s in spite of the fact that Japan's defense spending did not increase, or rather was decreasing in most of the years during the 1990s and second China's defense spending did not show a rapid increase during the 1980s when Japan's defense spending showed steady increase.

to use weapons or where to deploy forces. I interpret “alliance autonomy” as what contributes to a country’s defense indirectly by way of alliance while restricting the country’s freedom of action.

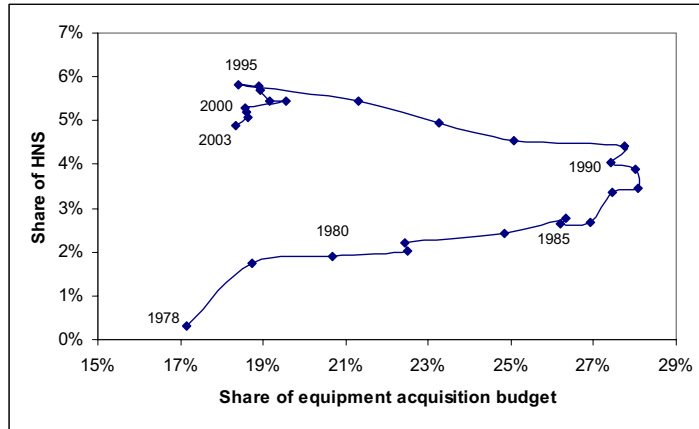
For Japan (Table 4.2), “Granting right to station forces in Japan” is an alliance obligation, which restricts freedom of action on use of land. I assume that “Host Nation Support” is alliance autonomy as I already explained. “Increase of scope of Japan’s role in the Article VI emergency” is alliance autonomy, because it restricts freedom of action of the Japanese government with respect to its intervention policy when the conflict to which the U.S. is a party takes place around Japan.<sup>26</sup> I categorize “Increase of scope of Japan’s role in the Article V emergency” as armaments according to the categorization above, since it increases the potential use of its own armaments without restricting freedom of action for defending its own defense.

Table 4.2 – Element of Japan’s alliance contribution and its type

Element of alliance contributions	Type of alliance contribution
Granting right to station forces in Japan	Alliance autonomy (non-financial)
Host Nation Support	Alliance autonomy (financial)
Increase of scope of Japan’s role in the Article VI emergency	Alliance autonomy (financial or non-financial)
Increase of scope of Japan’s role in out of treaty areas	Alliance autonomy (financial or non-financial)
Increase of scope of Japan’s role in the Article V emergency	Armaments (mainly, non-financial)
Defense spending	Armaments (financial)

These shifts may or may not involve trade-off among the same type or between different types of alliance contributions. For example, on one hand, I suppose that the shift from HNS to increase of scope of support in the Article VI emergency does not involve trade-off which the constraint in using the same kind of resource causes. On the other hand, there exists a trade-off between spending for Host Nation Support (alliance autonomy) and spending for military equipment (armament). One can see the trade-off under tight fiscal condition during the 1990s (Figure 7).

<sup>26</sup> See Chapter 3 on “autonomy.”



Source: Defense of Japan, Various years

Figure 4.7 – Share of budget for equipment acquisition and Host Nation Support in defense budget of Japan (1978-2003)

Or, there may be a trade-off between granting right for bases and increase of the scope of Japan's roles in the Article VI emergencies for using assumingly fixed amount of autonomy.

Table 4.3 and Table 4.4 list and describe elements of alliance contributions of Japan and the U.S. at present including their associated costs. Constraints in terms of budget and other factors such as availability of land space for military bases determine a feasible set of alliance contribution vectors, from which decision-makers of the government have to choose in a given environment in order to adapt to it. How did Japan evolve its alliance contributions to the present shape under the budget and other constraints and changing environment? I will look at this issue in more detail in the following chapters.

Table 4.3 – Alliance contributions of Japan and their costs (2002)

Type of contributions	Cost	
Right to station forces in Japan	\$1.7 billion (2000)	Obligation under the security treaty
Host nation support (excluding rent for U.S. bases in Japan)	\$3.3 billion (2000)	
Increase of scope of Japan's role in the Article VI emergency	(emergency has not happened yet)	
Increase of scope of out of treaty international cooperation (Cooperation in U.S. military activity during the Operation Enduring Freedom in 2002)	(C-130 and C-1 transport aircraft (including four missions to Guam and Diego Garcia), 1 Aegis cruiser, 3 destroyers, 2 fast combat support ships, 1 minesweeper tender)	
Increase of scope of Japan's role in the Article V emergency	(emergency has not happened yet)	
Defense spending	\$37.2 billion (2002)	
(for comparison)		
Foreign assistance	\$11.1 billion (2001)	
PKO	\$520 million (2001)	

Note 1: Legally speaking, Japan's cooperation during the Operation Enduring Freedom (OEF) was not related to the security treaty but was based on "Anti-terrorism Special Measures Act" (11/2/2001) to achieve the purpose of the United Nations resolution 1368 (9/12/2001) and other related U.S. resolutions, that is, "to combat by all means threats to international peace and security caused by terrorist acts, perpetrators of the terrorist acts by international cooperation" (U.N. Resolution 1368).

Note 2: Data are from *Report on Allied Contributions to the Common Defense*, Department of Defense, 2002 and 2003. "Right to station forces in Japan" is the sum of direct (\$801.76 million) and indirect (\$911.66 million) expenses for rent (p.D-8, 2002). Host nation support includes labor, utility and facilities expenses (direct expenses) and foregone taxes (indirect expense). Host nation support in this table excludes direct and indirect expenses for rent. In the DOD reports, dollar values are computed using the OECD exchange rate: 1 U.S. dollar = 107.8 yen (2000), 121.5 yen (2001), and 125.3 yen (2002). Defense spending excludes expenses included in direct expenses for "right to station forces in Japan" and "Host Nation Support." I list "Foreign assistance" and "PKO" (peace keeping operations) for reference (p.B-21, 2003).

Table 4.4 – Alliance contributions of the U.S. and their costs

Type of contributions	Cost	
Military assistance in the Article V emergency	(emergency not happened yet)	Obligation under the security treaty
Military assistance in the Article VI emergency	(emergency not happened yet)	
Stationing of forces in Japan	\$1.54 billion (2001)	
Defense spending	\$350.9 billion (2002)	
(for comparison)		
Foreign Assistance	\$13.1 billion (2001)	
PKO	\$670 million (2002)	

Note: 1. Data are from *Report on Allied Contribution to the Common Defense*, Department of Defense, 2003. Defense spending is not necessarily spent for the U.S.-Japan security alliance alone. The cost for stationing of forces in Japan does not include the cost for salaries for U.S. military personnel stationing in Japan, and is reduced by off-set paid by the Japanese government. I calculated the stationing costs for the U.S. by using the fact the Japanese burden (4615 million) is 75% of the total stationing costs (4615 million/75% \*(100%-75%)=1.54 billion.). Defense spending includes cost for "stationing of forces in Japan." I list "Foreign assistance" and "PKO" for reference.

Note 2: "Stationing of forces in Japan" and associated costs are not only for Japan's defense.

Judgment criteria on each type of Japan's contributions are summarized in Appendix 2. I compare the change in composition of Japan's contributions with the change in environmental conditions of the economic model on alliance contributions. Judgment criteria on environmental conditions are summarized in Appendix 1. Then, the characteristics of the change are looked at from the policy process of on alliance contributions, or the three streams of the agenda-setting model.

## *Chapter 5*

### *Host Nation Support program (micro-analysis)*

In this chapter, I examine the policy/decision making process on the Host Nation Support (HNS) program in Japan as one type of Japan's alliance contributions. The purpose is to check the validity of logics derived from the models on alliance contributions. From a microscopic observation on decision-making on HNS, I could have clearer idea on what kind of logics the government used for changing the type and size of alliance contribution, and how they were different from the inferences from the models.<sup>1</sup>

#### 5-1. Policy process of Host Nation Support program (1978-2000)

##### 5-1-1 Beginning of the Facilities Improvement Program in 1978

The Status of Forces Agreement (SOFA) of 1952 stipulated in its Article XXV(2)b that the Japanese government provided 155 thousand million dollars annually to the U.S. government. The SOFA of 1952 was an administrative agreement for the U.S. Forces in Japan (USFJ) under the original U.S.-Japan security treaty of 1952 (revised in 1960). At that time, the U.S. military used this fund to procure the services and materiel in Japan necessary for their activities such as transport.<sup>2</sup>

The new Status of Forces Agreement (SOFA) of 1960 did not include this “defense-sharing fund” arrangement. The Japanese government interpreted that the expenses that the Japanese government should bear were limited to the expenses which the SOFA stipulated in its paragraph 2 of Article XXIV (see p.61). Under this interpretation, the U.S. should bear the expenses necessary for repairing or rebuilding the facilities once the Japanese government provided facilities to the U.S. under the Article XXIV (2), since the Japanese government interpreted those expenses as maintenance expenses as the SOFA stipulated in the Article XXIV (1).

The Japanese government made its first policy change on the interpretation of the Article XXIV, although minor, in 1973. In the 14th U.S.-Japan Security Consultative Committee held in January 1973, the governments agreed that the Japanese government would provide the budget for repairs and rebuilding of facilities at the Iwakuni base and building of new facilities at the Misawa

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<sup>1</sup> If you are not interested in the description of the policy process on HNS, please skip section 1 and go to section 2 (p.98).

<sup>2</sup> Yajima, Sadanori, “Zainichi Beigun Roumuhi Tokubetsu Kyotei” (Special measures for labor expenses of the U.S. forces in Japan), p.50, *Rippou To Chosa*, Sangiin Jonin Iinkai Chosashitsu (House of Councillors of Japan, Research Division), April 1987. The 1960 SOFA did not include the clause on the “defense sharing fund,” since the U.S. side understood the Japanese government's policy to make its own effort to increase defense capability incrementally. The abrogation of “defense sharing fund” also reflected the difference of economic level between the U.S. and Japan in 1960. Real GNP per capita in 1960 (1990\$) was \$3,919 in Japan and \$11,329 in the U.S. I converted yen to 1990 dollars at purchasing power parity value of ¥196=\$1.00. (*JEI report No.3*, Appendix Table 2., Japan Economic Institute, January 21, 2000).

base.<sup>3</sup> Those repairs and new facilities were necessary for relocating P-3C troop at the Iwakuni base to the Misawa base. The U.S. made the decision of relocation after the return of Okinawa to Japan in 1973.

After this agreement went public, there were criticisms from the opposition parties that the U.S. side should bear those expenses according to the interpretation of the Article XXIV of the SOFA given by the Japanese government to the Diet so far. Their argument was that the U.S. should bear the costs necessary for relocation of troops including the building of new facilities once Japan granted facilities to the U.S, because the relocation costs belonged to the category of maintenance or operation expenses.

To the criticism on the decision, then Foreign Minister Ohira Masayoshi, gave new interpretation to the Article XXIV (2) of the SOFA by explaining that building of “substitute” facilities and repairs of facilities *accompanying* relocation of U.S. forces inside Japan was the expenses that the Japanese government should bear.<sup>4</sup> He explained that this was because the security treaty obligated the Japanese government to provide the facilities in condition that the U.S. forces could use for their activities.<sup>5</sup> Whether the Japanese government should provide the fund for facilities depended on whether the new facilities could be considered as “substitute” of original facilities.

Second policy change with respect to financial support for facilities took place in 1978. The U.S. and Japan agreed in the U.S.-Japan Joint Committee in December 1978 that the Japanese government would provide the fund for building family houses for the families of U.S. servicemen stationing at the Yokota base and the Atsugi base.<sup>6</sup> During the late 1970s, dollars depreciated against Japanese yen, and the U.S. Forces in Japan did not have enough budget for constructing family housing.

Commander of the U.S. Forces in Japan (USFJ) visited the JDA officials (Director General of Defense Facilities Administration Agency (DFAA), Watari and Vice Minister of Defense, Maruyama) in April 1978 to ask Japan to build housing for families of the U.S. servicemen, since the families living outside the U.S. bases could not afford the rent which increased as a result of yen's

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<sup>3</sup> Nonaka, Shigeki, “Zainichi Beigun No Shisetsuhi Roumuhi Buntan Mondai” (On sharing of facilities and labor costs for the U.S. Forces in Japan), p.39, *Rippou To Chosa*, Sangiin Jonin Iinkai Chosashitsu (House of Councillors of Japan, Research Division), June 1979.

<sup>4</sup> Ohira, Masayoshi, Minister of Foreign Affairs, Budget Committee, House of Representatives, March 13, 1973, p.24.

<sup>5</sup> Ohira, Masayoshi, Minister of Foreign Affairs, Budget Committee, House of Councillors, April 9, 1973, p.23.

<sup>6</sup> Nonaka, 1979, p.40. Yajima, 1987, p.55.

appreciation. He also asked the Japanese government to help the U.S. build more facilities at U.S. bases in Japan<sup>7</sup>

According to the interpretation of the SOFA given by Foreign Minister Ohira in 1973, the U.S. should bear the expenses for family housing, since those facilities were purely new facilities and did not accompany a relocation of the USFJ. Minister of Defense Kanemaru Shin asked the JDA officials to examine the way the Japanese government to assist more financially the USFJ. According to Kanemaru, Watari, examined the legal restriction and came up with the interpretation that the SOFA did not prohibit the building of new facilities for the USFJ and it is not against a fiscal principle of the Fiscal Law to spend the budget which the security treaty did not obligate Japan to pay if the Japanese Diet approved the budget.<sup>8</sup>

The Japanese government explained to the Japanese Diet that the explanation that Ohira gave in 1973, that is, criteria to judge whether new facilities are considered as “substitute” of original facilities, applied only when rebuilding and repairs take place accompanying relocation of the U.S. forces, and that the Japanese government could provide new facilities based on its policy decision even when the facilities did not accompany relocation of the USFJ.<sup>9</sup>

Director General of the Defense Agency and the DFAA explained why the policy change was necessary as follows:

[Minister of the Defense Agency]

Since the relation with the U.S. is indispensable for Japan, in this situation of appreciation of yen against dollars, we should have sympathy to the USFJ and do something before the U.S. side requested us to do something, in order to increase the reliability of the security relationship. So I asked the Director General of the DFAA to think about the way to do something about it, although there was the statement on the SOFA about it by the Foreign Minister Ohira before.<sup>10</sup>

[Director General of the DFAA]

In a situation where the burden of the stationing costs for the USFJ became very high with the trend of appreciation of yen against dollars since last year, it is necessary to enhance the reliability of the U.S.-Japan security arrangement, and to make it possible for the USFJ to station the forces in Japan smoothly. At the same time, we need to make it sure that increase of burden of stationing forces for the USFJ in dollars terms will not affect negatively the employment and labor conditions of about 2,000 Japanese employees at the U.S. bases in Japan. From those considerations, the government is making efforts to find what we can do within the SOFA terms. One thing is improvement of facilities for the USFJ, and we

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<sup>7</sup> Kanemaru, Shin, *Waga Taikenteki Bouei Ron – Omoiyari No Nichibei Anpo Shin Jidai* (My Opinion on Defense of Japan Based on My Own Experiences: Japan-U.S. Security Relationship in New Era with Sympathy in Mind), E-ru shuppansha, July 1979, p.78-9, p.87.

Watari stated in the Diet that the request from the USFJ commander was not concrete and not formal, and just one of the topics of the meeting. Watari Akira, Director of the Defense Facilities Administration Agency, Foreign Affairs Committee, House of Councillors of Japan, April 5, 1978, p.12.

<sup>8</sup> Kanemaru, Shin, July 1979, p.78-9, p.87.

<sup>9</sup> Watari, Akita, Cabinet Committee, House of Councillors, June 29, 1978. p.8.

<sup>10</sup> Kanemaru, Shin, Director General of the Defense Agency, Cabinet Committee, House of Representatives, June 6, 1978. p.11.



requested the budget, 14.1 billion yen in August, for housing for the forces and their families, and construction of oil tanks or silencer facilities.<sup>11</sup>

In the U.S.-Japan Joint Committee in December 1978, the U.S. and Japan also agreed that the Japanese government undertook improvement of barracks, family housing, noise suppressors, sewage disposal facilities and administration buildings and others for use by the USFJ, and provided them to the USFJ without cost. Based on this new interpretation of the Article XXIV (2) of the SOFA, the Japanese government initiated “Facilities Improvement Program” (FIP) after FY1979, that is, the construction projects including family housing, base housing, environment-related facilities such as noise-reduction purposes, and facilities for administrative purposes.<sup>12</sup>

#### 5-1-2 Beginning of Labor Cost Sharing in 1977

The Article XII (4) of the SOFA stipulates that “demand by the U.S. Forces in Japan for local labors is satisfied by the help of the Japanese government.” Based on this clause, the Japanese government provides local labors for the USFJ and other institution that the U.S. forces approve including post exchanges, stores, restaurants, clubs, and theaters at U.S. bases. The number of the Japanese workers in 1978 was 21,017.<sup>13</sup> The Japanese government hires those Japanese workers, and legal status of Japanese workers is employee of Japanese government, although they are not civil servants. The U.S. side trains and directs Japanese workers.<sup>14</sup>

Director General of the DFAA consults with the USFJ before setting their salary level and other employment conditions, and the Director General of the DFAA makes the decision only when both sides agree. If the U.S. and Japan at that level cannot reach an agreement, the U.S.-Japan Joint Committee discusses the issue.<sup>15</sup> Prior to 1977, the U.S. government had been paying the salaries for those Japanese workers at U.S. bases in Japan since 1960 based on the Article XXIV (1) of SOFA

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<sup>11</sup> Watari, Akira, Director General of the Defense Facilities Administration Agency, Cabinet Committee, House of Councillors, October 17, 1978. p.5.

<sup>12</sup> Yajima, 1987, p.55.

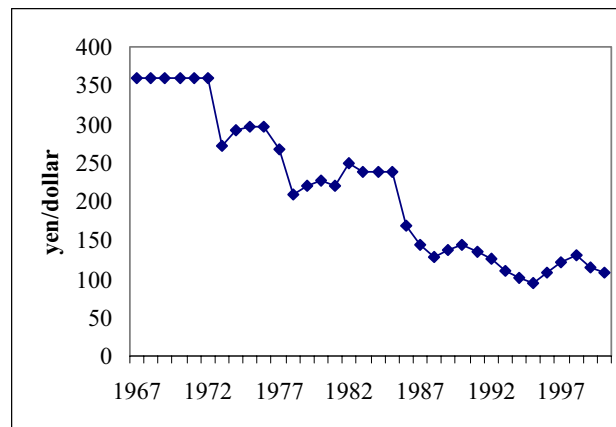
<sup>13</sup> Asagumo Shimbun, *Handbook for Defense 2002*, March 2002, p.440-441.

<sup>14</sup> Defense Facilities Administration Agency (DFAA) calls employment of local labors as “Indirect Hire Arrangement.” Director General of DFAA decides salaries and other conditions for employment after negotiation between the DFAA and the Labor Union of Japanese Workers at U.S. bases in Japan (*Zen-Chu-Ro*). Labor laws of Japan apply to Japanese local labors. Employment of local labors is based on three labor contracts between Japan and the U.S. side. “Master Labor Contract” and “Mariner’s Contract” are contracts between the Director General of DFAA and the Officer in charge of contract matters at the Procurement Office of the USFJ. Employment of local labors for institutions approved by the USFJ such as restaurants at U.S. bases is based on “Institution Labor Contract,” which is a contract between Director General of DFAA and the Commander of the USFJ. See Nonaka, p.41.

<sup>15</sup> U.S. and Japan established the U.S.-Japan Joint Committee based on the Article XXV of the SOFA. Members of the U.S.-Japan Joint Committee include Director General of North American Bureau of the Ministry of Foreign Affairs (MOFA), Director General of DFAA, Director General of JDA responsible for foreign affairs, and other officials from Japanese side, and Minister of the U.S. Embassy in Japan, Chief of Staff of the USFJ, and others from the U.S. side.

(see p.61). This was because the U.S. and Japan interpreted the word in the Article, "facilities and areas," for whose provision the Japanese government was responsible, did not include the salaries for those workers.

However, annual negotiation for deciding salaries of local labors between Japan and the U.S. became difficult to reach an agreement since the mid-1970s. Salary and price level in Japan increased after the oil crisis in the 1970s and the budget for the USFJ decreased at the time.<sup>16</sup> In the negotiation in 1974 and 1975, the U.S. side insisted that it did not have enough budget for increasing the salaries according to the increase rate for civil servants in Japan when yen continued to appreciate to dollar in the 1970s (Figure 5.1). The U.S. demanded that the Japanese government should pay part of salaries for local labors.<sup>17</sup>



Source: Bank of Japan, *Keizai Tokei Nenpo*

Figure 5.1 – Nominal exchange rate (yen/dollar, annual average rate, 1967-2000)

During 1977-negotiation on salaries, the U.S. side, a representative from the USFJ, did not accept the result of the negotiation, and that became a contentious issue, that policy-makers on national security at that time thought might give a damage on the U.S.-Japan security relation. The U.S. General Accounting Office (GAO) published a report on defense cost-sharing of the U.S. and Japan in June 1977 and recommended that U.S. defense burden could become more equitable by initiating sharing of common defense costs such as labor costs of local workers.<sup>18</sup>

In the U.S.-Japan Joint Committee held in December 1977, the U.S. and Japan agreed that the Japanese government pay welfare-related expenses for Japanese workers such as mandatory welfare

<sup>16</sup> GAO report in 1978 stated that total payroll costs decreased by only 6 percent despite 45 percent reductions of workforce between 1973 and 1977. U.S. General Accounting Office, *Department of Defense Pay Practices for Japanese Nationals Should Be Changed*, FPCD-78-47. May 31, 1978. p.1.

<sup>17</sup> Nonaka, 1979, p.42.

<sup>18</sup> U.S. General Accounting Office, *The United States and Japan Should Seek a More Equitable Defense Cost-Sharing Arrangement*, ID-77-8, June 15, 1977. Other recommendation included increased logistical and operational support, and joint use of defense installations.

expenses (social insurance) and other optional-welfare expenses. The size of the budget was 6.2 billion yen. This was 6.7 percent of the total cost for local workers, 92.4 billion yen.<sup>19</sup>

The Japanese government explained officially in the Diet that the primary purpose of the decision was protection and job security of local workers, and was not the change of burden-sharing and obligations under the security alliance. Prime Minister Fukuda Takeo and Director General of the DFAA, Watari, explained as follows:

[Prime Minister] (June 25, 1978)

The government decided to pay a part of labor costs for the USFJ, as a measure to protect employment of Japanese employees of the USFJ and maintain stability of employment relationship. However, by this measure, we do not intend to change the burden-sharing of defense expenses or to pay the expenses that the U.S. should pay.<sup>20</sup>

[Director-General of the DFAA] (March 28, 1978)

Wage level increased rapidly after the oil crisis in fall 1973. In addition to that, the U.S. policy to cut the stationing costs of U.S. forces abroad has made difficult the annual negotiation on wages of Japanese employees at the U.S. bases in the last several years. We intend to stop this difficult situation. Employment of Japanese workers and stability of their lives are very important social issue. We make every effort to reach a wage agreement as early as possible, and to increase the wage level of those workers with the same increase rate as civil servants of the Japanese government. The U.S. and Japanese government discussed this labor issue for the last two years. We could reach an agreement with the USFJ in fiscal year 1977 as early as the wage negotiation of the national civil servants (because of cost-sharing arrangement).<sup>21</sup>

According to the Japanese government, the Article XXIV (1) of the SOFA was interpreted to mean that the expenses for employment of local labors, which the U.S. should pay, is the expenses directly necessary for hiring local labors and the expenses which the Japanese government agreed to pay from FY1978 was not the direct expenses, and therefore it is possible for the Japanese government to bear under the Article XXIV of the SOFA.

### 5-1-3 Labor Cost Sharing in 1978

In spite of this decision, demands from the U.S. side for more Japanese contribution on salaries of Japanese local labors and other expenses continued. The General Accounting Office published a report on the way to reduce labor costs of the USFJ in May 1978.<sup>22</sup> The report analyzed that “[B]ecause of Japan’s reluctance to share costs or allow revisions of benefits, Japanese employees are paid well above prevailing local rates.” It recommended that the adoption of labor salaries based

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<sup>19</sup> Yamazaki, Hiroshi, Director of the Department of Labor Affairs, DFAA, Committee on Foreign Affairs, House of Representatives, April 15, 1988, p.26.

<sup>20</sup> Fukuda, Takeo, Prime Minister, Plenary Session, House of Representatives, June 25, 1978. p.107.

<sup>21</sup> Watari, Akira, Director General of the Defense Facilities Administration Agency, Social and Labor Committee, March 28, 1978, p.23. More detailed explanation by Kikuchi, Hisashi, Director of the Department of Labor Affairs of the DFAA, Social and Labor Committee, House of Councillors, April 20, 1978, pp.2-3.

<sup>22</sup> U.S. General Accounting Office, 1978. Japan was one of five countries on which the Senate Committee on Appropriations asked GAO in April 1977 to write a report on the Department of Defense compensation and use overseas of foreign national employees.

on more prevailing local practices<sup>23</sup> and hiring of more Americans to fill vacant positions for Japanese labors. This report increased the USFJ's pressure on the Japanese government for demanding more financial contribution.

In order to break the deadlock, Minister of the Defense Agency<sup>24</sup>, Kanemaru, decided to pay part of salaries of Japanese workers. He explained the budget for this purpose as "*Omoiyari Yosan*" (*Omoiyari* means sympathy and *Yosan* means budget in Japanese), that should be a part of defense budget for supporting the U.S.-Japan alliance. Kanemaru used the non-legal term "*Omoiyari*", that is, sympathy for the U.S. and the U.S. soldiers in Japan who protects Japanese people from military aggression, since there was no legal obligation to pay salaries of Japanese workers under the SOFA.

As I stated above, the interpretation of the SOFA was that Japan has no obligation to pay expenses necessary for day-to-day operation of U.S. bases in Japan. But Kanemaru reasoned that it would be the permanent costs such as labor costs or utility costs that the USFJ wanted to cut first since the yen's appreciation would continue for the time being although the exchange rate moves up and down.<sup>25</sup> Kanemaru discussed the issue with Prime Minister Fukuda in April 1978 and asked to increase Japan's burden from 6.1 billion yen in FY1978 to about 20 billion yen in FY1979. Fukuda agreed. Kanemaru used the word *Omoiyari* for selling the program to influential Diet members and other government agencies.<sup>26</sup>

In the meeting with the U.S. Secretary of Defense Brown in June 1978, Kanemaru explained that Japan would make efforts to pay as much as possible for stationing expenses for the USFJ within the scope of the SOFA by showing "sympathy" for the USFJ's problems.<sup>27</sup>

In the second meeting in December 1978, Kanemaru and Brown agreed that Japan would pay 7 billion yen for differential allowance, language allowance, and the part of retirement pay which those two allowances caused to increase. The size of support adding the cost items agreed in FY1978 such as welfare-related expenses, 14 billion yen, was 15.1 percent of the total cost for local labors,

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<sup>23</sup> The report's recommendation on this point included the start of negotiation with the Japanese government to ask elimination of 10 percent U.S. Forces differentials, language allowances, generous premium pay formula, wage schedules based on a 44-hour workweek, and employee separation pay entitlements. U.S. General Accounting Office, 1978, p.13.

<sup>24</sup> Official English title is "Minister of State for Defense."

<sup>25</sup> Kanemaru, p.84.

<sup>26</sup> Kanemaru, p.90. In his book he explained that "*Omoiyari* is to interpret flexibly legal and other restrictions on financial support for the USFJ, in order to respond to requests of the USFJ. It is necessary for Japanese to have *Omoiyari* in order to have stable U.S.-Japan relationship." He also said in this book "if each Japanese pays 2 thousand yen annually, it is easy for Japan to pay 20 billion yen, which is the annual budget of the USFJ, and to make the U.S.-Japan relationship very smooth. Don't you think that this is a very cheap and effective gift?" (p.90) With this logic on more contribution from the Japanese government, he unofficially had meetings with key diet members of opposition parties including Ishibashi Masatsugu of Socialist Party, Yano Junya of Komei Party, Nagasue Eiichi of Democratic Socialist Party, and Nishioka Takeo of Shin Jiyuu Club. According to him, they understood the issue and did not reject the plan, although they did not approve it because of their different policies on the U.S.-Japan security relationship.

<sup>27</sup> Kanemaru, Cabinet Committee, House of Councillors of Japan, June 29, 1978, p.6.

92.7 billion yen.<sup>28</sup> The Japanese government explained this time that it is possible legally to pay the part of salaries for local workers which the U.S. side should pay under the interpretation of the Article XXIV of the SOFA based on policy judgment that the measure is necessary for maintenance of the U.S.-Japan security alliance.

The Japanese government explained in the Diet that the purpose of the decision was importance of the U.S.-Japan security relationship, and protection and job security of local workers. Director General of the DFAA, Watari, explained as follows:

[Director General of the DFAA, February 28, 1979]

It is very important for Japan to maintain the functions of the U.S.-Japan security arrangement at high level and to guarantee the stable stationing of the U.S. Forces in Japan, which is the core of the functions. Also important is to make sure that the rapid appreciation of yen against dollars would not disrupt the basic condition of the stationing of the USFJ and the stable employment of Japanese workers at U.S. bases in Japan. We think that the agreement with the U.S. at the meeting in December 1978 solved the wage problem of Japanese workers, since the U.S. agreed to pay the wage from now on at the level comparable to civil servants of the Japanese government.<sup>29</sup>

In the Joint Committee meeting in December 1978, the Japan side explained that the level of burdens for salaries taken in the measure would be the maximum that the Japanese government could pay under the Article XXIV of the SOFA.<sup>30</sup> Although the Liberal Democratic Party (LDP), which was the majority party, expected strong opposition from opposition parties, the Diet approved the budget for spending on part of labor costs of local workers at U.S. bases relatively easily.<sup>31</sup>

#### 5-1-4 Host Nation Support in the early to mid 1980s

The request from the U.S. government and Congress to the Japanese government to increase the financial contribution with respect to the stationing costs of the USFJ did not stop after the agreement in 1978. The exchange rate of dollar against Japanese yen appreciated during the early 1980s, although the pace of appreciation was moderate.<sup>32</sup> The United States proposed that Japan should increase its labor cost sharing in the Security Sub Committee (SSC) meeting between the U.S. and Japanese government officials in 1981, 1982, and 1984.<sup>33</sup> There was a pressure from the U.S. to Japan to increase not only the Host Nation Support for U.S. stationing forces but also Japan's

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<sup>28</sup> Committee on Foreign Affairs, House of Representatives, April 15, 1988, p.26.

<sup>29</sup> Tamaki, Kiyoshi, Director General of the DFAA, Settlement Committee (Kessan Iinkai), House of Councillors, February 28, 1979, p.13.

<sup>30</sup> Yajima, 1987, p.52.

<sup>31</sup> Kanemaru, p.79.

<sup>32</sup> The exchange rate was 210 yen/dollar in 1978, 216 in 1981, and 238 in 1984.

<sup>33</sup> GAO, *U.S.-Japan Burden Sharing: Japan Has Increased Its Contributions But Could Do More*, Report to the Chairman, Committee on Armed Services, House of Representatives, August 1989, p.25. Security Sub Committee is a meeting between the U.S. and Japanese defense agencies at a vice administrative minister level. The U.S. and Japan had 3 meetings in early 1980s: 1. June 10-12, 1981, 2. August 30-September 1, 1982, and 3. June 25-27, 1984.

defense contributions to the alliance relationship in general. For example, sixty six members of U.S. Congress sent a letter to Prime Minister of Japan Suzuki Zenko in 1982 to ask Japan to spend a greater percentage of its GNP for defense in order to counter the increased Soviet threat.<sup>34</sup>

However, the Japanese government declined the proposals from the U.S. in 1981, 1982, and 1984 to seek more labor cost-sharing.<sup>35</sup> The U.S. government requested the Japanese government to pay the salaries of local labors, and also utility costs at the U.S. bases in Japan. But the Japanese government explained that it was not possible to increase more the burden for local labor costs and to pay utility costs under the interpretation of the Article XXIV of the SOFA, as the following explanations on those SSC meetings by the government officials to the Japanese Diet showed:

[Yoshino Makoto, Director of the Defense Facilities Administration Agency, the SSC meeting in June 1981]

The Japanese government has been paying welfare and administration costs for labors since 1978 and has been paying part of the salary since 1979. But those payments are the maximum the Japanese government can pay according to the Status of Forces Agreement (SOFA). The official position of the Japanese government in 1978 and 1979 was that it was not legally possible to shoulder more of the burden for the labor cost under the SOFA. We explained that this official position of the Japanese government has not changed up to now.<sup>36</sup> [Natsume Haruo, Director General for the Bureau for Defense Policy, the SSC meeting in August 1982]

First, the U.S. side showed appreciation for Japan's contributions to the stationing costs for the U.S. forces in Japan, and explained that they expect more burden sharing of Japan. Second, the U.S. side requested Japan to increase the burden sharing, specifically, with respect to labor costs for the U.S. forces in Japan (USFJ). We explained the content of the budget request of the DFAA for FY1983 and we increased the support for U.S. forces in Japan while the budget increase for DFAA as a whole is very small. And we explained that it is not legally possible to spend a new item including labor costs for USFJ under the current interpretation of the SOFA. By explaining those, we declined firmly the U.S. request to start spending for labor costs for the USFJ.<sup>37</sup>

[Yazaki Shinji, Director General of the Bureau for Defense Policy, the SSC meeting in June 1984]

As to USFJ's stationing costs, we explained that it was not easy to increase financial support for the stationing costs in a tight fiscal condition of the Japanese government. But the U.S. side expressed the expectation that Japan will continue to make efforts to increase the support for stationing costs.<sup>38</sup>

While declining the request to increase the burden sharing for labor costs, the Japanese government was increasing the burden sharing for facilities costs for the USFJ during the early 1980s. The Japanese government officially explained this policy to increase burden sharing mainly in facility costs to the U.S. First, in the meeting with Defense Secretary Brown in March 1980, Foreign Minister

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<sup>34</sup> GAO, 1989, P.11.

<sup>35</sup> GAO, 1989, p.25.

<sup>36</sup> Cabinet Committee, House of Councillors, August 20, 1981, No.269-271/317. (page number in web-based database)

<sup>37</sup> Special Security Committee, House of Councillors, September 14, 1982; No.115/300.

<sup>38</sup> Special Committee on Foreign Affairs and Comprehensive Security, House of Councillors, July 4, 1984, No.15/175.

Ookita Saburo explained that labor cost sharing reached to the limit allowed by the SOFA, but the Japanese government could make more support for facilities.<sup>39</sup> Second, Japan's Prime Minister Suzuki Zenko explained in 1981 in a meeting with President Reagan that Japanese government tried to increase the burden sharing in the stationing costs of the USFJ, although he did not use the word "facilities costs" in this occasion. The Joint communiqué of the meeting between Suzuki and Reagan in 1981 stated in the paragraph on security issues as follows:

The Prime Minister stated that Japan, on its own initiative and in accordance with its Constitution and basic defense policy, will seek to make even greater efforts for improving its defense capabilities in Japanese territories and in its surrounding sea and air space, and for further alleviating the financial burden of U.S. forces in Japan. The President expressed his understanding of the statement by the Prime Minister.<sup>40</sup>

Specifically, the Japanese government increased facilities cost such as construction of facilities accompanying deployment of F-16 fighters at the Misawa base in 1985. By 1987, the Facilities Improvement Program's cost had increased to 78.2 billion yen (over \$560 million) annually from its 1979 level of 32.7 billion yen (over \$100 million).

#### 5-1-5 Conclusion of the Special Measures Agreement (FY1987-1991) in 1987

Changes in the economic situation surrounding both Japan and the U.S., that is, further appreciation of yen to dollar after the Plaza Accord in September 1985<sup>41</sup> threatened the stable employment of Japanese workers by the USFJ (on the Plaza Accord, see p.163). Appreciation of yen increased the annual costs in dollar terms for salaries of local labors, which the U.S. paid by yen, by 200 million dollars from 1985 to 1986.<sup>42</sup> The U.S. asked Japan to increase its labor cost sharing. In the U.S.-Japan Security Sub Committee (SSC) meeting in January 1986, the U.S. side brought up the issue of Host Nation Support again as one of the agenda and expressed the expectation for increase of Japan's cost-sharing.<sup>43</sup> However, the Japanese government did not agree to increase the labor cost sharing. In May 1986, the official of the Ministry of Foreign Affairs repeated the same explanation in

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<sup>39</sup> Foreign Minister, Budget Committee, House of Representatives, March 24, 1980, p.8.

<sup>40</sup> Joint Communiqué of Japanese Prime Minister Zenko Suzuki and U.S. President Reagan, May 8, 1981, Washington, A Documentary History of U.S.-Japanese Relations, 1945-1997, pp.1006-1009. Public Papers of the Presidents: Ronald Reagan, 1981, pp. 414-416. (Database of Postwar Japanese Politics and International Relations, Institute of Oriental Culture, University of Tokyo. [www.ioc.u-tokyo.ac.jp/~worldjpn/documents/texts/JPUS/19810508.D1E.html](http://www.ioc.u-tokyo.ac.jp/~worldjpn/documents/texts/JPUS/19810508.D1E.html)).

<sup>41</sup> Yen-dollar exchange rate (average annual rate, yen per dollar) was 238.05 in 1985 and 168.03 in 1986 (Bank of Japan).

<sup>42</sup> I estimated the increase of 200 million dollars, assuming that 90 billion yen was necessary for local labor salaries and yen appreciated by 33 percent against dollar. Stationing costs of the USFJ was 2.34 billion dollars in U.S. FY1982, 2.3 billion dollars in FY1983, 2.28 billion dollars in FY1984, and 3.28 billion dollars in FY1985 (Settlement (*kessan*) Committee, House of Representatives, May 16, 1986, p.16; Committee on Foreign Affairs, House of Representatives, May 18, 1987, p.34) Those costs include salaries for U.S. servicemen, operation and maintenance costs, military construction, fuel and oil, and salaries for local workers.

<sup>43</sup> Kato Koichi, Minister for Defense; Sassa Atsuyuki, Director of the Defense Facilities Administration Agency; Cabinet Committee, House of Representatives, May 8, 1986, No.338-9/628.

the Diet by saying that “it is difficult to increase Japan’s sharing (with respect to labor costs) under the SOFA, and the Japanese government does not have any intention to change the content of the SOFA.”<sup>44</sup> The Japanese government had been explaining to the Diet since 1979 that it was not possible to pay the salaries of local labors under the Article XXIV of the SOFA.

However, the U.S. government continued to demand the increase of contribution to labor costs, because the appreciation of yen increased such costs, which was difficult for the USFJ to adjust simply by reducing the size of workforce, different from variable costs such as investment in facilities.<sup>45</sup> In the meeting between Vice President George Bush and Defense Minister Kurihara Yuko in September 1986, Vice President Bush made a request to increase Japan’s burden-sharing in stationing costs of the USFJ. Bush also mentioned the voices in the Congress to request for more burden sharing.<sup>46</sup>

Responding to those requests from the U.S., Finance Minister Miyazawa Kiichi, Foreign Minister Kuranari Tadashi, and Minister of JDA Kurihara Yuko agreed in December 1986 that the Japanese government would conclude with the U.S. a Special Measures Agreement (SMA) under the SOFA for increasing Japan’s contribution to labor costs for Japanese local labors.<sup>47</sup> December was the month when the Japanese government had to decide on the budget request for the next fiscal year beginning in April, which the government will submit to the Diet for approval in January. JDA included in the FY1987 budget request to the Finance Ministry 16.54 billion yen additionally for this purpose (40 percent of eight allowances) the next day of the meeting.<sup>48</sup> Under the SMA, Japan bore up to half of the cost of eight allowances<sup>49</sup> for Japanese workers at U.S. bases, adding to the Japanese

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<sup>44</sup> Okamoto Yukio, Director of Security Division, North American Bureau, Ministry for Foreign Affairs, House of Representatives, Settlement (*Kessan*) Committee, May 16, 1986; No.160/242.

<sup>45</sup> There was a request to the Japanese government from the U.S. Army in Japan in May 1986 to reduce Japanese local labor by 150 by September 1987, and a request from the U.S. Navy in Japan in September 1986 to reduce local workers by 100. (Committee on Foreign Affairs, House of Representatives, May 26, 1987, p.15) The difficulty was, first, it was rare in Japan to fire employees to adjust to a bad economic situation, and second, the Japanese employees at U.S. forces in Japan were “indirect employment” by the Japanese government.

<sup>46</sup> Kurihara Yuko, Cabinet Minister for Defense, Special Committee on Security, House of Representatives, October 22, 1986, p.28.

<sup>47</sup> Official title of the agreement was “Agreement Between Japan and the United States of America Concerning New Special Measures Relating to Article XXIV of the Agreement Under Article VI of the Treaty of Mutual Cooperation and Security Between Japan and the United States of America, Regarding Facilities and Areas and the Status of United States Armed Forces in Japan.”

<sup>48</sup> Yajima, 1987, p.53.

<sup>49</sup> Eight allowances include adjustment allowance, family allowance, commutation allowance, housing allowance, summer allowance, year end allowance, term end allowance, and retirement allowance. There are 12 other pay items that are not covered in this agreement including discharge allowance, remote area allowance, special work allowance, cold area allowance, night duty allowance, involuntary severance pay, conversion allowance, unaccompanied duty allowance, additional schedule pay, overtime pay, holiday pay, and night differential for communication and security workers. The four pay items that were covered since FY1979 include differential pay, language allowance, and two welfare expenses. (Committee on Foreign Affairs, House of Representatives, May 18, 1987, p.29; Committee on Foreign Affairs, House of Representatives, April 15, 1988, p.20)



side's spending agreed in 1978 and 1979. As a result, the share of Japan in local labor costs, 36.1 billion yen, became 30.8 percent of the total, 117.3 billion yen in 1988.<sup>50</sup>

The U.S. Ambassador to Japan Mansfield and Foreign Minister Kuranari signed the Special Measures Agreement in January 1987 in Tokyo. The agreement was effective till March 1992 after ratification by the Diet. The Agreement as a new international agreement needed ratification by the Japanese Diet.<sup>51</sup> The Diet ratified the SMA in May 1987,<sup>52</sup> and the agreement became effective in June 1987.

The Japanese government explained the reason why it changed the policy on labor cost sharing in December 1986 as follows:

Incidentally, the recent changes in the economic situation (in terms of the so-called strong yen and weak dollar) have pushed up the stationing costs of the USFJ, its labor costs in particular, threatening to destabilize the employment of the Japanese workers and eventually to adversely affect the effective operations of the USFJ if the situation had been left as it was. Because of this, the Japanese and U.S. governments concluded an agreement (which took effect on June 1, 1987) providing for special measures (the so-called special agreement) relating to Article 24 of the Status of Forces Agreement to hold Japan liable for part of the expenditure required to pay various allowances, including the retirement allowance and bonuses, with an amount corresponding to one-half of the said expenditures as the limit.<sup>53</sup>

The Japanese government called the agreement “special measures,” because the arrangement was still outside of the SOFA provisions according to the government’s interpretation. Prime Minister Nakasone explained on the SMA in the Diet in April 1988 that the Japanese government concluded the agreement based not on the American pressures but on its own decision, and the spending was *limited in scope* (part of labor costs), *provisional in period* (5 years), and *exceptional to the SOFA*. Nakasone explained that it was difficult to predict what to do with this budget after the 5 years passed.<sup>54</sup> But this SMA turned out to be valid with its original form only for one year.

#### 5-1-6 Revision of the Special Measures Agreement (FY1987-1991) in 1988

There were two events that affected Japan’s policy on labor cost sharing in 1987. First, yen appreciated against dollar further (see Figure 5.1) after the conclusion of the SMA in January 1987, the purpose of which was to support the U.S. Forces in Japan (USFJ) when yen appreciated rapidly in 1985 and 1986. The exchange rate (one dollar’s worth of yen = yen/dollar) was decreasing in 1987 as follows: January 152.3, February 153.15, March 145.65, April 139.65, May 144.15, June 146.75, July

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<sup>50</sup> Committee on Foreign Affairs, House of Representatives, Japan, April 15, 1988, p.26.

<sup>51</sup> There is a clause that authorizes acceptance of Host Nation Support from foreign governments including Japan in the annual Defense appropriations bill of the U.S. For example, Title XIII, Section 8060 in H.R.3116 (1993).

<sup>52</sup> Plenary sessions of both Houses approved the agreement by a standing vote (on May 20, 1987 at the House of Representatives; and on May 27, 1987 at the House of Councillors). Committee on Foreign Affairs discussed and approved the agreement before submitting the agreement to a plenary session in both Houses.

<sup>53</sup> Japan Defense Agency, *Defense of Japan*, 1987, p.182-183.

<sup>54</sup> Nakasone Yasuhiro, Plenary Session, House of Councillors, February 4, 1987, p.70.

149.25, August 142.35, September 146.35, October 138.55, November 132.45, and December 122.00<sup>55</sup>. Dollar's value to yen decreased by 16% in one year from January 1987.<sup>56</sup> As a result, the USFJ's budget for stationing forces in Japan, which included the spending items which the USFJ had to pay in Japanese currency such as salaries for local labor or utilities costs, became tight. There was a notice from the USFJ to the Japanese government in July 1987 that the USFJ would fire 330 workers at U.S. Marine Corps' club by the end of September.<sup>57</sup>

Second, the Iraq-Iran War intensified in 1987 and accidents of mine explosion took place in the Persian Gulf. European countries and the U.S. sent minesweepers to the area. The U.S. Congress adopted a resolution to ask the President to request Japan to cooperate with the efforts<sup>58</sup>, since Japanese energy supply depended much on oils in the region.<sup>59</sup> The safety of the Persian Gulf became one of the discussion agendas at the Summit conference (Venezia Summit) in June 1987. The summit conference adopted "Statement on Iraq-Iran War and Freedom of Navigation in the Gulf" which said that:

....we reaffirm that the principle of freedom of navigation in the Gulf is of paramount importance for us and for others and must be upheld. The free flow of oil and other traffic through the Strait of Hormuz must continue unimpeded. We pledge to continue to consult on ways to pursue these important goals effectively....<sup>60</sup>

To respond to those two events and to cope with the growing criticism in the U.S. Congress especially after the Toshiba COCOM incident on low level of burden-sharing of Japan<sup>61</sup> (COCOM incident on p.192), the Nakasone administration decided in October 1987 "Principles on Japan's

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<sup>55</sup> Bank of Japan, <http://www.boj.or.jp/stat/stat.htm>. Yen-dollar exchange rate (average annual rate, yen per dollar) was 144.52 in 1987 and 128.2 in 1988.

<sup>56</sup> Exchange rate in January 1987 was 152.3 yen/dollar, and exchange rate in January 1988 was 127.18 yen /dollar.  $1 - 127.18/152.3 = 0.16$

<sup>57</sup> Committee on Foreign Affairs, House of Councillors, August 21, 1987, p.2. The USFJ withdrew the decision after the agreement on the revised SMA in 1988.

<sup>58</sup> Senator Robert C. Byrd (Democrat, West Virginia) introduced a resolution (Senate Resolution 225) in the Senate before the Venezia Summit. It was agreed by Yea-Nay Vote 90-1 in June 4, 1987. The resolution included the clause that "the President should encourage the Allies at the summit to cooperate in diplomatic and military measures which may be necessary to ensure Western security interests in the Persian Gulf."

<sup>59</sup> Japan imported about 70 percent of oils from the Middle East, and oil provided about 60 percent of primary energy supply for Japan in the mid-1980s (Agency of Natural Resources and Energy, Japan). Over 50 percent of oils exported from the Gulf was for Japan. (Uno Sosuke, Minister of Foreign Affairs, Committee on Foreign Affairs, House of Representatives, April 15, 1988, p.28)

<sup>60</sup> "Statement on Iraq-Iran War and Freedom of Navigation in the Gulf," Venezia Summit, June 9, 1987, [http://www.mofa.go.jp/policy/economy/summit/2000/past\\_summit/13/e13\\_c.html](http://www.mofa.go.jp/policy/economy/summit/2000/past_summit/13/e13_c.html). The participants of the meeting were the representatives of G-7 countries and the European Community.

<sup>61</sup> U.S. Representative Duncan Hunter (Republican, California-52nd) introduced an amendment (H.A.266) to the appropriation bill of the State Department (H.R.1777) and the Senate adopted the amendment in June 18, 1987. The amendment asked the State Department "to enter into negotiations with Japan for the purpose of increasing the amount spent in any year by Japan for defense to at least 3 percent of its gross national product for such year."

contribution to freedom of navigation in the Persian Gulf.”<sup>62</sup> First, the “Principles” stated that “the Japanese government would construct radio navigation guides for promoting shipping in the Persian Gulf and would increase economic and technological cooperation with the countries in the Gulf region.” Second, the “Principles” stated that the Japanese government would start consulting with the U.S. government to find a way to reduce the U.S.’s burden as to the stationing cost of the USFJ in order to make certain an effective operation of the U.S.-Japan security arrangement in the international environment where the U.S. took a global role for maintaining peace and security in the Persian Gulf and in other regions.

The main point of this policy was how the Japanese government could provide contribution to help the U.S. and other countries’ efforts in the Gulf region, using only non-military means. The Minister of Foreign Affairs, Uno Sosuke explained this policy later as follows:

We all know that the U.S. plays a global role to maintain the security of the world. We Japanese maintain the safety and security of Japan with close relationship and security alliance with the U.S. We should think hard about how to improve the relationship and make it friendlier. We should give a special consideration to the U.S. forces in Japan. So the government and the Liberal Democratic Party (LDP) decided on the “Principles.” ... Fifty five percent of the ships and oils through the Persian Gulf is for Japan. We do not ignore the issue. We have to cooperate on non-military areas since we have constraints from the Constitution.<sup>63</sup>

Realizing the second part of the “Principles,” which the Nakasone administration decided in October 1987, the Takeshita new administration decided in January 1988 that the government would revise the 1987 SMA so as to pay up to 100 percent of the eight allowances, increasing the share of Japan from 50 percent agreed in the Agreement one year before. The government-LDP meeting in January 1988 made the decision. After the decision, Minister of Defense Agency Kawara Tsutomu visited the U.S. Secretary of Defense Carlucci in January 1988 and explained the Japanese government policy to revise 1987 SMA and to increase the burden for local labor costs.<sup>64</sup> Also in January, new Prime Minister Takeshita Noboru had a meeting with the U.S. President Regan. In the remarks following the meeting, Prime Minister Takeshita stated that:

[Prime Minister Takeshita Noboru, January 13, 1988]  
Japan has also continued to increase its Host Nation Support for U.S. forces in Japan, whose stationing is an indispensable part of the Japan-U.S. security system. Moreover, in view of the recent economic conditions adversely affecting the financial situation of U.S. forces, I noted

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<sup>62</sup> “perusha wan ni okeru jiyuu anzen koukou kakuho no tameno waga kuni no kouken ni kansuru hoshin” in Japanese.

<sup>63</sup> Uno Sosuke, Minister of Foreign Affairs, Committee on Foreign Affairs, House of Councillors, December 8, 1987, number 24-26/129.

<sup>64</sup> Yamazaki, Ministry of Foreign Affairs, Committee on Foreign affairs, House of Representatives, April 15, 1988.

to the President that the Government of Japan has decided on its own initiative to increase further Japan's share of such expenditures.<sup>65</sup>

Japan Defense Agency explained that the purposes of the revision of the SMA in 1988 were 1) to assure stable employment of local labors when the USFJ found it difficult to allocate budget in changing economic conditions, and 2) to assure effective operation of the USFJ,<sup>66</sup> as follows:

In addition, the budget of the USFJ has been squeezed more tightly than ever with the economic conditions surrounding Japan and the U.S. undergoing more drastic changes in recent years. Because of this, the Japanese government decided on January 8 this year on a policy of sharing the heavier burden of the labor costs of the USFJ from the standpoint of ensuring the stable employment of the Japanese workers and thereby securing the effective operations of the U.S. Forces, Japan. And under this policy, the Japanese and U.S. governments concluded a protocol (which went into effect June 1 this year) for the revision of the special agreement so that Japan might bear the full amount of the various allowances covered by the special agreement.<sup>67</sup>

Foreign Minister Uno Sosuke and acting U.S. Ambassador to Japan Desaix Anderson signed the protocol to revise the 1987 SMA in Tokyo in March 2, 1988. The Diet approved the signing of the protocol in May<sup>68</sup> and the protocol became effective on the 1st of June 1988. The revised SMA was effective until March 1992, which was the same as the original SMA concluded in 1987. The cost for local labors was 119.6 billion yen in FY1988. The share of Japan as to labor costs, which was 34.4 percent in FY1988, would become 51.8 percent in FY1990 when Japan would bear 100 percent of the allowances as a result of the revised SMA.<sup>69</sup>

The revision of SMA became a political issue in the Diet, because the three opposition parties, that is, Japan Communist Party, Japan Socialist Party, and Komei Party, opposed the revision of SMA.<sup>70</sup> Figure 5.2 plots the trend of the number of the Diet members who questioned Japan's Host

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<sup>65</sup> January 13, 1988. Public Papers of the Presidents: Ronald Reagan, 1988, I. Prof. Tanaka Akihiko's database, <http://www.ioc.u-tokyo.ac.jp/~worldjpn/documents/indices/JPUS/index-ENG.html>

<sup>66</sup> Request of approval of the SMA, House of Representatives, March 31, 1988, p.1.

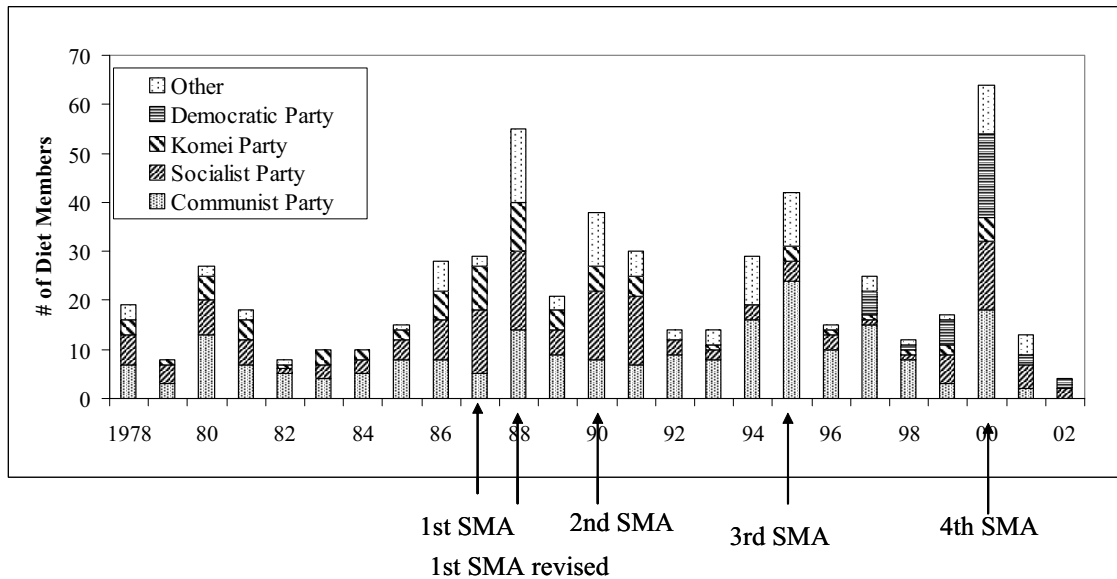
<sup>67</sup> Japan Defense Agency, *Defense of Japan* 1988, Japan Times

<sup>68</sup> At the House of Representatives, Committee on Foreign Affairs approved the signing of the protocol in April 22, 1988 and Plenary Session approved in April 26, 1988. At the House of Councillors, Committee on Foreign Affairs approved the protocol in May 12, 1988, and the Plenary Session approved in May 13, 1988. <http://kokkai.ndl.go.jp/>

<sup>69</sup> Yamazaki, Committee on Foreign Affairs, House of Representatives, April 15, 1988, p.26.

<sup>70</sup> Japan Communist Party opposed the revision on the grounds that 1) by increasing HNS, Japan became part of the imperialistic U.S. military strategy in Asia, 2) SMA is against the cost principle stipulated in the SOFA, 3) the increase of HNS is equal to saying that the Japanese government supports U.S. military intervention in the Gulf, which is against the Constitution, and 4) the increase of HNS will lead to large scale increase of excise tax in the near future. Japan Socialist Party opposed the revision because 1) the SMA is contradictory to the cost sharing principle in the SOFA, 2) only 9 months had passed since the conclusion of the last SMA and no significant change took place since then, 3) there was no limit to the increase of HNS and Japan's burden increase indefinitely, and 4) there was no plan on what to do after the SMA expires in March 1992. Komei Party opposed because 1) when the Japanese government did not make any effort to reduce its defense spending, the government cannot receive any support from the public, and 2) the SOFA stipulates that the U.S. should pay all of the stationing costs. (Tachiki Hiroshi (Japan Communist Party), Plenary session, House of Councillors, May 12, 1988; Matsumae Tatsuo (Japan Socialist Party), Plenary Session, House of

Nation Support in the Diet,<sup>71</sup> which shows a peak in 1988. Interest in HNS increased as the trend of the number of newspaper articles also showed the peak in 1988 (Figure 5.3 and 5.4). However, in 1988, the majority party, Liberal Democratic Party (LDP), had a large majority in the Diet. LDP had 300 seats (56%) out of 512 seats in the House of Representatives, and had 145 seats (58%) out of 252 seats in the House of Councillors (see Figure 6.14 in p.130). As a result, although there were strong oppositions from the opposition parties, it was possible for the LDP to win the ratification of the signing of the protocol in the Diet, without any compromises on the content of the agreement nor any negative influences on discussions on other issues in the Diet.

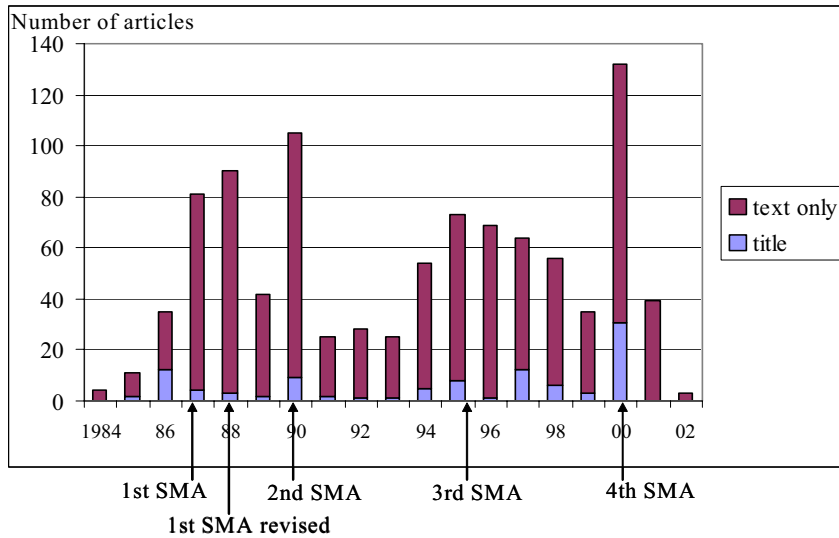


Note: search words: *omoiyari yosan* (sympathy budget), OR *chuuryuu keibi*, OR *chuuryuu bi* (stationing expenses for U.S. Forces in Japan). Diet members are counted every time he/she asks questions in different sessions.

Figure 5.2 – Number of Japanese Diet members whose questions in the Diet include Host Nation Support (1978-2002)

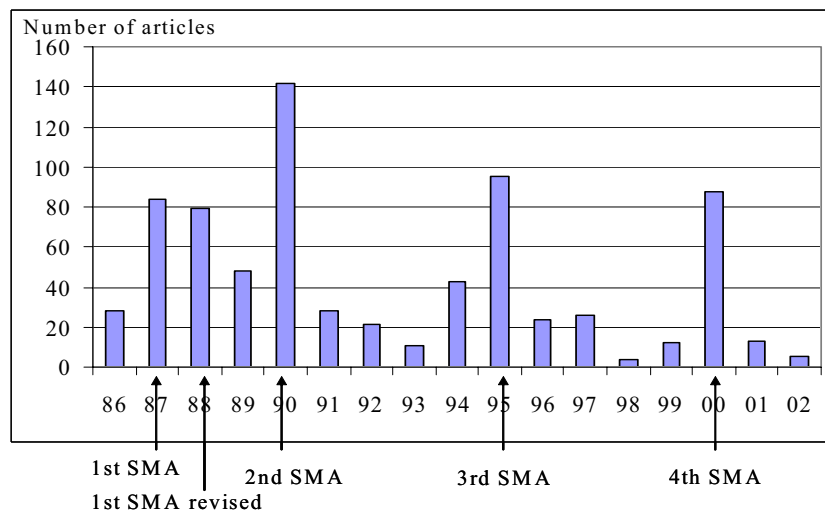
Councillors, May 12, 1988; Kuroyanagi Akira (Komei Party), Plenary session, House of Councillors, May 12, 1988.)

<sup>71</sup> While the Diet discussed the SMA of 1987, which Japan and the U.S. signed in January 1987, both in 1986 and 1987, the Diet discussed the revision of the SMA in March 1988 mostly in 1988. This is the reason why there was no peak in the number in 1987 in Figure 5.2 comparative to that in 1988 in spite of the fact that the government concluded the SMA in 1987.



Note: Search words: *omoiyari yosan* (sympathy budget), OR *zainichi beigun chuuryuu keibi*, OR *zainichi beigun chuuryuu hi* (stationing expenses for U.S. Forces in Japan). Database includes data from January 1984.

Figure 5.3 – Number of newspaper articles on Host Nation Support (Asahi newspaper, 1984/1-2002/6)



Note: Search words: *omoiyari yosan* (sympathy budget), OR *zainichi beigun chuuryuu keibi*, OR *zainichi beigun chuuryuu hi* (stationing expenses for U.S. Forces in Japan). Database includes data from January 1986.

Figure 5.4 – Number of newspaper articles on Host Nation Support (Yomiuri newspaper, 1986/1-2002/6)

The USFJ and the U.S. government appreciated the decision of the Japanese government to increase Host Nation Support highly. The report of the Defense and State Department on the allied contribution described Japan's contributions as follows:

Japan also provides significant support for the United States forces. In fiscal Year 1988, Japan provided more than \$1.1 billion for facilities and \$316 million in labor cost for United States forces in Japan. Together with rent-free bases and other contributions (waived taxes, customs,

road tolls, landing and port charges), the total contributions exceed \$2.7 billion. Labor cost-sharing, facilities improvement and other contributions are expected to increase in 1989 with the Japanese share of labor costs equaling about 50 percent of the total costs of direct and indirect hire labor in Japan.<sup>72</sup>

At the same time, the U.S. expected Japan to do more on various aspects of alliance contributions as the report of the Department of Defense in 1990 pointed out as follows:

Japan and other allies in the region can and should do more to equitably share the burden. General US goals are to substantially increase the size of our allies' contributions, include additional categories to the burdensharing menu, remove some restrictions on existing categories, and elicit support for US force realignments in the Asia-Pacific region. Japan and the U.S. maintain exceptionally close cooperation on all aspects of burdensharing and the U.S. expects Japan to greatly exceed previous levels of contributions in the years ahead.<sup>73</sup>

#### 5-1-7 Conclusion of the Special Measures Agreement (FY1991-1995) in 1990

The share of defense budget to GNP was 5.6 percent in the U.S. in 1988. The burden of maintaining defense capability for the U.S. increased in an economic situation characterized by large trade imbalance with Japan<sup>74</sup> and fiscal deficit<sup>75</sup> in the late 1980s. That increased the U.S.'s demand on Japan to increase the cost sharing further. The Congress established Defense Burdensharing Panel in the Committee on Armed Service of the House of the Representatives in order to "review worldwide defense commitments, the cost of those commitments and evaluate how the burden of providing for the defense of the U.S. and its friends is and should be shared among nations."<sup>76</sup> The Panel's members led by its Chairwoman Patricia Schroeder visited Japan in April 1988 and met with Foreign Minister Uno Sosuke and discussed burden-sharing matters.<sup>77</sup> The Japanese and the U.S. government had already revised the Special Measures Agreement (SMA) on labor cost sharing in January 1988, but the opinion of the Panel was that Japan should provide much more, in all the areas Japan can contribute. The final report of the Committee in August 1988 stated that:

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<sup>72</sup> Department of Defense, Secretary of Defense, and Department of State, Secretary of State, *Sharing the Roles, Risks, and Responsibilities for the Common Defense: A Report to the United States Congress*, December 1988, p.12.

<sup>73</sup> Department of Defense, Secretary of Defense, *Report on Allied Contributions to the Common Defense, A Report to the United States Congress*, 1990, p.1-9.

<sup>74</sup> U.S.'s trade deficit against Japan (\$44.9 billion) was 48 percent of U.S.'s trade deficit (\$93.1 billion) in 1989 (data from U.S. Census Bureau and Japan Export Trade Organization).

<sup>75</sup> Fiscal deficit in 1989 was 3.2 percent of GDP in the U.S. Japan experienced fiscal surplus in the same year, whose size was 1.8 percent of GDP. (data from OECD)

<sup>76</sup> UC Congress, House of Representatives, Committee on Armed Services, *Report of the Defense Burdensharing Panel of the Committee on Armed Services House of Representatives*, one hundredth congress, second session, August 1988, p.1. The Panel asked questions on Japan "why do the Japanese ... appear unwilling to assume free-world burdens in a level more commensurate with their ability to pay than they currently assume?"

<sup>77</sup> According to the then Foreign Minister, Uno Sosuke, U.S. side was interested in more burden-sharing from Japan, although some of the members respected the constitutional constraint in Japan as to the increase of defense spending. (Uno Sosuke, Committee on Foreign Affairs, House of Representatives, April 15, 1988. page 24).

- “1. Japan’s defense spending places it fifth in the world; however, Japan’s defense contributions and capabilities are inadequate given its tremendous economic strength.
2. The Japanese constitution, the “1 percent of GDP” Cabinet decision and East Asian fear of Japanese remilitarization are factors that limit Japanese military spending. However, the Japanese can, should, and must do more in defense as well as other security related areas.
4. Japanese Host Nation Support for U.S. service is overstated. The \$45,000 per U.S. serviceman figure widely quoted contains “non-outlays” like estimates of the value of land provided without charge to U.S. forces, and foregone revenues as a result of waiving taxes, landing and port fees, customs duties and so forth. ...
5. Given the substantial limits on what Japan is willing to do for defense, the Panel believes it imperative that the Japanese government, at a minimum, accelerate its ability to perform the self-defense, “1000-mile” and “closing of the straits” missions and prepare to carry out those missions if needed without direct U.S. assistance. ...”<sup>78</sup>

The Panel also asked in the report that Japan and NATO countries should respond to “out of the area” problem, when the allies “have strong economic, political, and military interests” in a region, such as the Persian Gulf.

The opinions in the U.S. to seek more defense burden-sharing from Japan intensified in 1989, reflecting the economic friction between the U.S. and Japan in the late 1980s. The Defense Authorization Bill in 1989 in the U.S. included the clause that requests the U.S. President to begin negotiation with Japan so that Japan offsets all direct expenses for the USFJ other than salaries for U.S. servicemen.<sup>79</sup> The General Accounting Office published a new report in August 1989 to the House Committee on Armed Service, whose title was *U.S.-Japan Burden Sharing: Japan Has Increased Its Contributions But Could Do More*. The report stated that “Japan could increase its defense burden sharing contributions in several areas, some of which would reduce U.S. stationing costs. These areas include yen-based stationing costs, wartime Host Nation Support, and quality-of-life initiatives for U.S. service members in Japan.”<sup>80</sup> The U.S. State Department established a new post, Ambassador at Large for Burdensharing, who is responsible for negotiation with U.S. allies on burdensharing issues. The Secretary of State appointed H. Allen Holmes in the new post in September 1989.

The year 1990 started from the visit of the U.S. Secretary of Defense, Richard Cheney to Tokyo to ask more burden-sharing. Cheney visited Prime Minister Kaifu Toshiki, Foreign Minister Nakayama Taro, and Minister of Defense Agency Matsumoto Juro in February 1990, and requested the Japanese government to continue its current contribution to the alliance through the Host Nation Support program (HNS), since the U.S. Congress demanded more burden-sharing from Japan.<sup>81</sup>

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<sup>78</sup> *Report of the Defense Burdensharing Panel of the Committee on Armed Services*, House of Representatives, Government Printing Office, August 1988, p.8-9, p.66, p.69.

<sup>79</sup> Clause 932.2.2, Sense of Congress. President made a statement that the clause does not restrict the President’s authority over foreign policy making.

<sup>80</sup> General Accounting Office, *U.S.-Japan Burden Sharing: Japan Has Increased Its Contributions But Could Do More*, Report to the Chairman, Committee on Armed Services, House of Representatives, August 1989, p.33.

<sup>81</sup> Matsuura Koichiro, Ministry of Foreign Affairs, Budget Committee, House of Representatives, April 13, 1990, No.270/363. The Ambassador Holmes accompanied Cheney in his visit to Tokyo in February 1990.



Japanese side responded that the Japanese government would make efforts to contribute to the alliance through HNS as before. In May 1990, Ambassador Holmes in charge of burden-sharing issues visited Tokyo, and discussed HNS issues with officials of the Foreign Ministry and Defense Agency.<sup>82</sup> Holmes expressed the expectation that the Japanese government would increase the size of HNS, taking into account the U.S. Congress's strong demand, in a meeting with Vice Defense Minister Nishihiro Seiki.<sup>83</sup>

Iraq invaded Kuwait in August 1990. There was growing criticism in the U.S. on the Japanese government's contributions to the Gulf Crisis, which the U.S. Congress and Bush administration perceived as inadequate and slow.<sup>84</sup> The House of Representatives approved the amendment to the defense appropriations bill sponsored by Rep Bonior to ask Japan to pay all deployment costs of the U.S. Forces in Japan (USFJ) by vote 370 to 53 in September 1990.<sup>85</sup> The amendment asked withdrawal of 5,000 military personnel from Japan every year until Japan's contribution meets the U.S. cost request. In a meeting between Prime Minister Kaifu and President Bush in September 1990 in New York, where they discussed the situation in Iraq, Bush requested Kaifu to increase the contribution to stationing costs of the USFJ.<sup>86</sup> Ambassador Holmes visited Tokyo again in December 1990 and asked the Japanese government to conclude a new Special Measures Agreement (SMA) starting from April 1991, which was one year earlier than the SMA revised in 1988 would expire in March 1992.<sup>87</sup> There was no Security Subcommittee (SSC) meeting in 1990 and during the Gulf Crisis. SSC is an administrative level meeting between the U.S. and Japan to discuss important security issues and is held annually. The U.S. and Japan held SSC on October 14-15 in 1989 and on October 31-November 1 in 1991.

In December 1990, the Japanese government decided in its Security Council meeting a new Mid-Term Defense Program (FY1991-FY1995), which was a five year plan for weapon procurement with fixed budget size of 2.275 trillion yen (adjusted to 1990 price level). At the same time, the Security Council decided that the Japanese government would bear newly the basic pay of local workers and utility costs of the USFJ and would conclude with the U.S. a new Special Measures Agreement for the next five fiscal years (April 1991-March 1996). The Mid-Term Defense Program

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<sup>82</sup> Committee on Foreign Affairs, House of Representatives of Japan, June 13, 1990.

<sup>83</sup> Hiyoshi Akira, Committee on Foreign Affairs, House of Councillors of Japan, June 14, 1990. p.10-11.

<sup>84</sup> Japan made financial contribution, but almost no military contribution. Japan sent four minesweepers to the gulf after the fighting ended in April 1991. (Bennett, Andrew, Joseph Lepgold, and Danny Unger, Burden-sharing in the Persian Gulf War, *International Organization*, 48, 1, Winter 1994, p.62).

<sup>85</sup> House amendment 717 (September 12, 1990) to H.R.4739 (became Public Law No:101-510). This is the amendment to "require Japan to pay for all deployment costs associated with stationing U.S. troops in that country. Non-compliance would result in troop reductions of 5,000 per year, beginning at the end of FY 1991."

<sup>86</sup> Yajima, Sadanori, *Zainiti Beigun Tyuryu Keibi Tokubetsu Kyotei, Rippo To Chosa*, Sangiin Jonin Linkai Chosaisitsu (House of Councillors of Japan, Research Division), April 1991, pp.51-57. p.55. Kaifu Toshiki, Committee on United Nations Peace Cooperation, House of Representatives, October 25, 1990, No.49/469.

<sup>87</sup> Yajima, 1991, p.55.

included the clause titled “Support for U.S. Forces in Japan and Japan-U.S. Defense Cooperation” which says that “A continuous effort will be made to promote programs in support of the U.S. Forces in Japan, including new necessary measures in relation to the financial burden so as to facilitate smooth and effective functioning of the Japan-U.S. Security Arrangements.”<sup>88</sup> Chief Cabinet Secretary, Sakamoto Misoji, explained the decision on HNS after the Security Council as follows:<sup>89</sup>

1. In midst of changes in the recent international situation, the Japan-U.S. Security Treaty continues to be a strong bond constituting the foundation of relationship between Japan and the United States, and is functioning as an indispensable framework to ensure Japan’s own peace and security and to help the rest of the Asia-Pacific region prosper.
2. From the viewpoint of Japan that it is extremely important to maintain the Japan-U.S. Security Treaty which is of such significance and importance, the government has long been making its utmost effort voluntarily with regard to the matter of cost bearing for the stationing of U.S. Forces in Japan.
3. As part of its effort, the government decided to “take new necessary measures” to support the stationing of U.S. Forces in Japan, as the result of a study in the course of formulating the latest Mid-Term Defense Program.
4. Specifically, the government will deal with the matter in accordance with the following policy.

Of the expenditures for the stationing of U.S. Forces in Japan, the government, beginning with FY1991, will gradually increase its cost bearing burden for basic wages for the employees of U.S. Forces stationing in Japan and utilities (light, fuel, and water expenses) until it comes to defray all the expenditures in FY1995, the final year for the Mid-Term Defense Program. The government will conclude a special agreement with the United States necessary for this measure, and will present it to the current regular session of the Diet.

One plausible interpretation is that the government made this decision with the necessity to contribute to the U.S. efforts in the Iraq crisis and the specific requests on HNS from the U.S. as a backdrop. There was a fear of the negative repercussion from the U.S. on the U.S.-Japan alliance if Japan did not act appropriately in a right timing. As Sheila Smith noted, “The call for Tokyo to go beyond being a ‘checkbook power’ prompted national debate in Japan about how to make a greater contribution to collective efforts to address security challenges.”<sup>90</sup> Although there was a discussion to go beyond “checkbook power,” it was the contribution from checkbook that increased in this period, simply because it was legally and politically difficult to provide the support for military operations by dispatching Japan’s Self Defense Forces to the Middle East.

There was also a reason related to the economic condition of Japan and the U.S. in the early 1990s. According to the explanation given by an official at the Ministry of Finance (MOF) in 1999, the reason why the government could decide to increase the scope of the HNS in 1991 was that the fiscal condition of the Japanese government in 1990 was good. The government did not have to issue special government bonds (*Tokurei Kousai*) in the period, although temporarily. The MOF official also

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<sup>88</sup> Japan Defense Agency, *Defense of Japan 1992*, p.254.

<sup>89</sup> “Comments by the Chief Cabinet Secretary in Regard to ‘Bearing Cost for the Stationing Cost for the Stationing of U.S. Forces in Japan,’” December 20, 1990. Japan Defense Agency, *Defense of Japan 1992*, p.258.

<sup>90</sup> Sheila Smith, 1999, p.84.

pointed out that “the U.S. government had a budget deficit in the early 1990s. Furthermore, the U.S. had to pay for the expenses for fighting the Gulf war. In that situation, we decided to make an agreement with the U.S. to pay the salaries for the Japanese workers.”<sup>91</sup> According to the statistics of OECD, fiscal deficit of the U.S. as a percentage of GDP was 3.2% in 1989, 4.3% in 1990, and 5.0% in 1991, while fiscal *surplus* of Japan was 1.8% in 1989, 1.9% in 1990, and 1.8% in 1991.<sup>92</sup> In the late 1980s to the early 1990s, the foreign exchange rate of yen to dollar was relatively stable, different from the previous periods.<sup>93</sup>

Foreign Minister Nakayama Taro had a meeting with the Secretary of State James Baker in Washington on January 14, 1991.<sup>94</sup> In this meeting Nakayama formally agreed that Japan would assume all the costs for local labors and utility costs for the USFJ by FY1995. Baker and Nakayama signed the new Special Measures Agreement the same day as the meeting.<sup>95</sup>

In the Diet discussion on the ratification of the agreement, the Japanese government explained as to the reasons why the governments concluded the new SMA one year before the previous SMA would expire in March 1992, that 1) U.S. trade deficit is large and economic condition of the U.S. is bad, while that of Japan is good, 2) the U.S. assumes a global role for international peace and security and budget for assuming the role is constrained by the budget deficit, and 3) international society expects Japan to assume more responsibilities.<sup>96</sup> The Diet approved the conclusion of the SMA in March 1991.<sup>97</sup> Although there were oppositions to the approval from the opposition parties including the Socialist Party, Communist Party and Komei Party, the approval process was not more difficult than the approvals of the previous SMAs in 1987 and in 1987.<sup>98</sup> The

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<sup>91</sup> Kagawa Shunsuke, Budget Examiner, Finance Bureau, Ministry of Finance; Minutes of the Special Committee on Fiscal Reform and Budget Rationalization, Fiscal System Council, November 29, 1999.

<sup>92</sup> General government financial balance (as a percentage of nominal GDP), national accounts basis. OECD, *Economic Outlook*, June 2002.

<sup>93</sup> The value of one dollar was 128.2 (yen/dollar) in 1988, 138.11 in 1989 and 144.88 in 1990. In 1990, the value of one dollar was 144.4 (yen/dollar) in January, 159.08 in April, 147.5 in July, and 129.35 in October. Data of the Bank of Japan. [www.boj.or.jp/stat/stat\\_f.htm](http://www.boj.or.jp/stat/stat_f.htm).

<sup>94</sup> January 14th was one day before the U.S.-mandate deadline for the withdrawal from Kuwait of Iraqi forces.

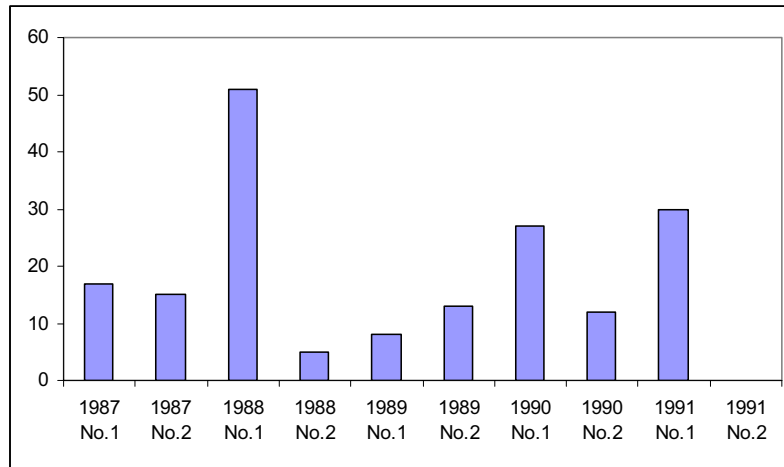
<sup>95</sup> Formal title of the agreement was “Agreement between Japan and the United States of America concerning new special measures relating to article XXIV of the Agreement under article VI of the Treaty of mutual cooperation and security between Japan and the United States of America, regarding facilities and areas and the status of United States armed forces in Japan.” There was an agreed minutes to the Agreement. *United Nations Treaty Series*, Vol.1853, I-31553. pp.87-104.

<sup>96</sup> Matsuura Koichiro, Budget Committee, House of Representatives, February 19, 1991, p.20.

<sup>97</sup> The House of Representatives approved the conclusion of the Special Measures Agreement on March 15, 1991 and the House of Councillors approved it on March 26, 1991.

<sup>98</sup> Figure 5.2 (p.78) shows the number of Japanese Diet members whose questions in the Diet sessions included Host Nation Support issues. In Figure 5.2, the number of the questions, most of which members of opposition parties made, were 32 in 1987, 66 in 1988, 46 in 1990 and 37 in 1991. Since the Diet may have discussed the HNS of 1991 both in 1990 and in 1991 and that may have reduced the number of questions in 1990 and in 1991 compared to in 1988, I made the Figure in 6 month unit as Figure 5.6. Figure 5.6 shows that the number of questions in 1990 and in 1991 was not higher than in 1988. The reason behind this would be

increase in the seat of opposition party (see p.133) affected the pattern of alliance contributions not in a way to decrease all the type of contributions, but in a way to prefer non-military contributions to military contributions, in the period when the Gulf war broke out and it was difficult to free-ride.



Note: No.1 – January to June, No.2 – July to December.

Source: database of the National Diet Library. Search words: omoiyari yosan (sympathy budget), or Chuuryu keihi, or chuuryuu hi (stationing expenses for USFJ). I counted diet members every time he/she asks questions in different sessions.

Figure 5.5 - Number of Japanese diet members whose questions in the diet sessions include Host Nation Support issues (1987 – 1991)

In the new SMA, Japan decided to bear the base pay and all allowances of the Japanese employees<sup>99</sup> (Article I of the SMA), and the costs for “(a) electricity, gas, water supply and sewerage from public utilities and (b) fuels for heating, cooking, and hot water supply not included in (a)” acquired by the USFJ for official purposes (Article II of the SMA). Under the prior SMA revised in 1988, the Japanese government had been paying 100% of the 8 allowances for local labor such as housing allowance or family allowance, but had not been paying base pay for local labor and utility costs for the U.S. bases in Japan. According to the text of the SMA, the purposes of the new SMA were “seeking to maintain stable employment for the workers who are employed by Japan and render labor services to the United States armed forces (in Japan)...” and “thereby ensuring the effective operations of the United States armed forces (in Japan).” Under the new 5-year period agreement, Japan would increase its cost-sharing rate on a gradual basis, and bear the full amount of the above costs by FY1995. The plan was that the Japanese government would pay 25 percent of basic pay and utility cost in FY1991 and FY1992, 50 percent in FY1993, 75 percent in FY1994, and 100 percent in FY1995. As a result, the share of stationing costs of Japan was planned to become 52 percent in

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that the discussion in the Diet on Japan’s security policy in 1990 and in 1991 focused on the contributions to the Gulf War including the issue as to whether to approve the participation of the Self Defense Forces in multilateral forces in Iraq. As a result, the attention paid to the HNS by opposition parties would be less than before, although the seat of the opposition party was more than before.

<sup>99</sup> There were 39 types of allowances for local labors working for the U.S bases in Japan.

FY1995.<sup>100</sup> When including the indirect costs such as costs for land for the USFJ, the share of Japan in FY1995 was planned to become 66 percent.<sup>101</sup>

#### 5-1-8 Implementation of the Special Measures Agreement (FY1991-1995) in FY1995

The fiscal condition of Japan in 1995 made difficult the full implementation of the SMA. The ratio of government debt to GDP in FY1994 was 42.1%. Since the Japanese economy was in recession, the coverage ratio of tax revenue in FY1994 budget decreased to 73.4%.<sup>102</sup> The Mid-Term Defense Program had been already revised in December 1992 because of tight budget condition.<sup>103</sup> The Finance Ministry imposed a tight cap of 0.9 percent increase rate on FY1995 budget request of the Defense Agency.<sup>104</sup> In addition, Murayama Tomiichi of the Socialist Party, which had been opposing to the U.S.-Japan alliance, had become the Prime Minister in June 1994 in a coalition government of the Liberal Democratic Party, the Socialist Party and the New Frontier Party.

In the early August 1994, the U.S. Senate adopted an amendment to the defense appropriations bill that asked Japan to implement fully the SMA concluded in 1990.<sup>105</sup> Although the text of the SMA itself stated only that Japan would pay “all or part” of labor costs or utilities costs, the Chief Cabinet Secretary said in his statement in December 1990 after the conclusion of the SMA (FY1991-1995) that Japan would bear 100 percent of labor costs and utilities costs in FY1995, the final year of the SMA and the Mid-Term Defense Program (see p.83).

However, the FY1995 budget request that the Defense Agency submitted to the Finance Ministry in the end of August 1994 included 87.5 percent, not 100 percent, of base salaries of local labors.<sup>106</sup> JDA’s stance at that point, according to the explanation in the Diet by the director of the Defense Facilities Administration Agency, was that “it would be possible to argue that this spending is not against the agreement, since the text of the agreement in 1991 was ‘Japan will bear, for the

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<sup>100</sup> Nakayama Taro, Foreign Minister, Committee on Foreign Affairs, House of Representatives, March 13, 1991, p.32.

<sup>101</sup> Orita Masaki, Committee on Foreign Affairs, House of Representatives, December 2, 1995, p.2.

<sup>102</sup> Ministry of Finance, Trend of Budget (General Account) since 1965, [www.mof.go.jp/jouhou/syukei/siryoku/sy1608e.htm](http://www.mof.go.jp/jouhou/syukei/siryoku/sy1608e.htm)

<sup>103</sup> The size of total budget was reduced from 22.75 trillion yen to 22.17 trillion yen (1990 price).

<sup>104</sup> Tamazawa, Security Committee, House of Representatives, October 20, 1994, p.20. Three parties in the coalition government agreed to impose 0.9 percent cap on the request of defense budget for FY1995 in July 28, 1994.

<sup>105</sup> S.AMDT.2521 (amendment to H.R.4650, defense appropriations bill), 103rd Congress, sponsored by Senator William Roth Jr, proposed and submitted in August 10, 1994. The purpose was “to state the sense of the Senate concerning Japan fulfilling its commitments under the Host Nation Support Agreement it signed with the United States on January 14, 1991.” Senate amendment was agreed to in Senate by Voice Vote in August 11, 1994.

<sup>106</sup> Hoshuyama Noboru, Settlement (*Kessan*) Committee, House of Representatives, September 2, 1994, pp.25-26.

duration of this Agreement, all or a part of the expenditures in paying the following wages to the workers.”<sup>107</sup>

One month later than this budget proposal in August, the meeting between the Secretary of Defense William Perry and Minister of JDA, Tamazawa Tokuichiro in September 1994 in Washington, took up the issue. The U.S. side would like to know the stance of the new Murayama administration on HNS and expressed their expectation for Japan's commitment to the SMA.<sup>108</sup> The government budget proposal to the Diet agreed in the government in December 1994 included one hundred percent of base salaries after the Socialist Party agreed.<sup>109</sup>

The process between the U.S.-Japan meeting and the budget proposal in December was not clear, but the result was that the financial support for the USFJ was put higher priority than other items in defense budget and other government budget items, in the tight FY1995 budget. The increase rate for the budget (general account) was -2.9% and the increase rate for defense budget was 0.86% in FY1995. It was the first time since 1965 that the increase rate for general account budget turned negative. The increase rate of defense budget was the lowest since 1968.

#### 5-1-9 Conclusion of the Special Measures Agreement (FY1996-2000) in 1995

The preparation for the next SMA after FY1996 started already in the early 1994. In the Security Sub-Committee (SSC) meeting held in March 1994, the U.S. and Japan agreed that they would begin the discussion on the Host Nation Support, since the 1991 SMA would expire by the end of March, 1996 (*Defense of Japan*, 1994). Although the start was early, Japan's financial condition in the mid 1990s as explained above made a quick decision and agreement difficult.

Minister of the Japan Defense Agency (JDA) Tamazawa met with the U.S. Secretary of Defense Perry in May 1995. They agreed that it was necessary to continue HNS after the 1991 SMA expired in March 1996. The issue was on the size of the financial support in the new SMA. The U.S. side asked further increase of the size of HNS, while understanding Japan's difficult situation. But the Japanese side, Tamazawa, asked the U.S. to consider the difficult fiscal condition of Japan, while admitting that it was important to make certain the smooth and effective operation of the U.S.-Japan security arrangements.<sup>110</sup>

The stance of the Japanese government on the size of HNS seemed not to change in June, although the conclusion by the end of August was desirable since the budget proposal to the Finance Ministry was made in the end of August. In early June, Tamazawa, repeated in the Diet the same explanation in the meeting with the U.S. in May, saying that the U.S. and Japan agreed to continue

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<sup>107</sup> Hoshuyama, Settlement Committee, House of Representatives, September 2, 1994.

<sup>108</sup> Tamazawa, Security Committee, House of Representatives, October 20, 1994, p.20.

<sup>109</sup> Asahi Shimbun, "Shato Ga Yonin" (Socialist Party Approved the budget), December 14, 1994, p.3.

<sup>110</sup> Budget Committee, House of Representatives, May 18, 1995.

the HNS after the current agreement expire in March 1996, but still needed to negotiate on the size of the financial support.<sup>111</sup> In late June, Vice Defense Minister Murata Naoaki said in a press conference that it was probable that the negotiation on the new SMA would be long and tough, since it would be difficult to increase the amount of Host Nation Support.<sup>112</sup>

There were at least two issues at the time when the Japanese government was contemplating a decision on the SMA. First issue was Japan's financial situation, as I explained. The situation facing FY1996 budget continued to be tight. The cap on the request of defense budget from the Defense Agency to the Finance Ministry, imposed by the Finance Ministry, was 2.9 percent, which was higher than the previous year but was low as a year to start a new Mid-Term Defense Plan (FY1996-2000).<sup>113</sup>

Second issue was the so-called "alliance adrift" after the end of the Cold War.<sup>114</sup> One example of the "adrift" was around the discussion on making a new National Defense Program Outline (NDPO) in 1994. The Advisory Group on Defense Issues, which was a commission for the Prime Minister to discuss defense policy to form a basis for a new NDPO, submitted a report to the Prime Minister in August 1994.<sup>115</sup> This report recommended that the pillars of Japan's security policy in the future should be: 1. active and constructive security policy, 2. multilateral security cooperation, 3. enhancing the functions of the Japan-U.S. security cooperation, and 4. maintenance and operation of highly reliable and efficient defense capability,<sup>116</sup> giving an impression to readers that independent or autonomous defense policy and multilateral security cooperation should be given higher priority than the U.S.-Japan security alliance for the future security for Japan and East Asia. As to the HNS, the report stated as follows, suggesting the necessity of considering some revision in the support:

The Japanese government has over the years borne part of the expenses relating to the U.S. forces in Japan under the status-of-forces agreement. In more recent years it concluded a special agreement to increase the Japanese share of such payments. Henceforth, too, it will be necessary to cover such expenses, while there seems to be room for technical improvement, such as ensuring more flexible management of expenses.

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<sup>111</sup> Security Committee, House of Representatives, June 9, 1995.

<sup>112</sup> Asahi Shimbun, May 9, 1995, p.7; June 27, 1995, p.7. Yomiuri Shimbun, June 27, 1995, p.2.

<sup>113</sup> Standard for budget request for FY1996 budget was 15 percent reduction for administrative cost and 10 percent reduction for non-investment cost other than administrative cost, and 5 percent increase for investment cost (August 4, 1995). The annual increase rate of defense budget for FY1991 and FY1986, both of which were the first year of the Mid-Term Defense Plan, was 5.45 percent and 6.58 percent respectively.

<sup>114</sup> Funabashi, Yoichi, *Alliance Adrift*, Council on Foreign Relations Press: New York, 1999. On the Host Nation Support and the alliance relationship, see p.275 and p.454.

<sup>115</sup> Advisory Group on Defense Issues, *The Modality of the Security and Defense Capability of Japan*, August 12, 1994.

<sup>116</sup> Chapter 3: The modality of Defense capability in the new age. Section 2: the enhancement of the Japan-U.S. security cooperation relationship.

At least the report was received as such in the U.S. policy community.<sup>117</sup> For example, Cronin and Green said that “The report's attention to strengthening the bilateral defense relationship with the United States is overshadowed, however, by the emphasis given to multilateralism and autonomous capabilities.” (p.9)<sup>118</sup>, and “the report's recommendations suggest that multilateralism is a hedge against waning U.S. commitments to the alliance, and possibly even a distraction (in terms of political and financial resources) from bilateral defense cooperation” (p.9). They criticized that “In many cases the Japanese Government's apparent hedging strategy is based on miscalculations about U.S. intentions.” (p.2)

The report on East Asian security strategy published by the U.S. Department of Defense in February 1995 was intended to correct this miscalculation.<sup>119</sup> In the preface to this report, the Secretary of Defense, William J. Perry, stated that “two previous Department of Defense strategy, in 1990 and in 1992, envisioned post-Cold War troop reductions continuing in the region through the end of the decade. This year's report, by contrast, reaffirms our commitment to maintain a stable forward presence in the region, at the existing level of about 100,000 troops, for the foreseeable future.” As to the alliance with Japan, the report stated that “United States security policy in Asia and the Pacific relies on access to Japanese bases and Japanese support for United States operations. United States forces in Japan are committed to and prepared for not only the defense of Japan and other nearby United States interests, but to the preservation of peace and security in the entire Far East region,” while specifically referring to HNS as follows:

Japan supplies by far the most generous host nation support of any of our allies. Japan also provides a stable, secure environment for our military operations and training. Under a January 1991 agreement and other arrangements, the Government of Japan has assumed an increasing share yearly, and will assume virtually all local labor and utility costs of maintaining our forces by this year. (p.25)

Although it was April 1996 when Prime Minister Hashimoto and President Clinton made the joint statement that reaffirmed the alliance (see p.154), the U.S. and Japan originally scheduled to make this joint statement during Clinton's visit to Japan for attending the APEC summit in Osaka in November 1995.<sup>120</sup> The visit was cancelled by the U.S. for a domestic reason, and the joint statement

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<sup>117</sup> Funabashi, pp.235-236.

<sup>118</sup> Patrick M. Cronin and Michael J. Green, *Redefining the U.S.-Japan Alliance: Tokyo's National Defense Program*, McNair Paper 31, November 1994, Institute for National Strategic Studies, National Defense University, Washington, DC.

<sup>119</sup> See p.154. Department of Defense, Office of International Security Affairs, *United States Security Strategy for the East Asia-Pacific Region*, February 1995, p.25.

<sup>120</sup> APEC meeting was in November 15-20, 1995. Japan's Foreign Ministry's spokesman explained that “both the Murayama Government and the Clinton Administration have been endeavoring to produce a joint document on the Japan-U.S. security relationship when Mr. Clinton comes to Japan. But now that Mr. Clinton cannot make it, we will have to think differently. For the time being what I can say is that the joint paper will be issued some other time, but probably when Mr. Clinton can come to Japan next time.” (On Cancellation of



was postponed until the following year. So, the discussion on the joint statement to strengthen the alliance was already under way in mid-1995, when the U.S. and Japan were negotiating the terms of the Special Measures Agreement. The Declaration, stated in April 1996, included the paragraph on HNS stating that:

4. (c) The Prime Minister welcomed the U.S. determination to remain a stable and steadfast presence in the region. He reconfirmed that Japan would continue appropriate contributions for the maintenance of U.S. forces in Japan, such as through the provision of facilities and areas in accordance with the Treaty of Mutual Cooperation and Security and Host Nation Support. The President expressed U.S. appreciation for Japan's contributions, and welcomed the conclusion of the new Special Measures Agreement which provides financial support for U.S. forces stationed in Japan.<sup>121</sup>

Therefore, on one hand, there was Japan's domestic situation related to Japan's fiscal condition that would not allow a smooth decision to increase HNS in 1995. On the other hand, there was an international situation related to U.S.-Japan bilateral relationship that might make the decision on HNS symbolically important for the U.S.-Japan alliance in the "reaffirmation" process intending to stop the adrift of alliance after the end of the Cold War.

The content of a new SMA was agreed in the official-level U.S.-Japan Security Sub-committee (SSC) meeting in August 1995.<sup>122</sup> The new SMA was signed at the minister-level U.S.-Japan Security Consultative Committee (SCC) in New York in September 1995 by Foreign Minister Kono Yohei and the Secretary of State Warren Christopher. Under stringent financial situation in Japan, the increase in the cost to be borne by Japan in this Agreement was modest in contrast to the step-by-step increases in the previous SMAs. Under the new SMA for the period between FY1996 and FY2000, the existing framework in 1991 regarding the base pay of Japanese workers and the utilities costs was retained.

Additional expenses for the transfer of training sites of the USFJ when being made at the request of the Japanese government was borne by Japan anew. Although this item was added to the HNS, the expense for this purpose was not large compared to the size of labor costs or utility costs.<sup>123</sup> So overall the size of the HNS was maintained. The cost of transferring training sites was for moving the site for Night Landing Practices (NLP) for U.S. pilots of carrier-based aircraft from the

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President Clinton's Trip to Japan and the APEC Ministerial Meeting etc., by Japanese Government Spokesman (Press Secretary), Hashimoto Hiroshi, 16 November 1995, <http://www.mofa.go.jp/policy/economy/apec/1995/briefing/br5.html>

<sup>121</sup> Japan-U.S. Joint Declaration on Security - Alliance for the 21st Century, April 17, 1996. The Declaration includes 6 sections, including the regional outlook, the Japan-U.S. alliance and the treaty of mutual cooperation and security, bilateral cooperation under the Japan-U.S. security relationship, regional cooperation, global cooperation, and conclusion. The paragraph on the HNS was under the section titled "the Japan-U.S. alliance and the treaty of mutual cooperation and security."

<sup>122</sup> Yomiuri Shimbun, August 2, 1995, p.2.

<sup>123</sup> As the relocation cost for Night Landing Practices from Atsugi base to Iwojima, 351 million yen was included in the FY1996 budget.

Atsugi Naval Air Facility to Iwojima.<sup>124</sup> In addition, the U.S. and Japan also exchanged a note that stated that the U.S. would try to save the costs that were covered by the new HNS.<sup>125</sup> In the note from Japan to the U.S., the sentence “[I]t is the understanding of the Government of Japan that the Government of the United States of America intends to make efforts to economize the relevant costs.” was repeated three times, each for salary for workers, utility, and transfer cost of training. In response, the note from the U.S. to Japan stated that “[T]he Government of the United States of America intends to continue to make efforts to economize the relevant costs as heretofore.” Although there was the same statement in the note sent from the U.S. from Japan related to the 1991 SMA, there was no mention on economization in the note sent from Japan to the U.S. in 1991.

Two reasons given by the Japanese government on the conclusion of the new SMA in the Diet were 1) to take into account situations surrounding Japan and the U.S., and 2) to secure the efficient operation of the USFJ that is maintained based on the U.S.-Japan security treaty.<sup>126</sup> Prime Minister Murayama explained that 1) when there is instability in international society, the U.S.-Japan alliance is important for Japan’s security, and 2) Japan’s government had been providing HNS as one of the pillars to support the USFJ, and needs to continue this support in the new SMA in order to maintain effective operations of the U.S.-Japan security arrangement.<sup>127</sup> The white paper on defense policy in 1996 explained in more detail as follows:<sup>128</sup>

From the standpoint that it is extremely important to secure the efficient operation of the Japan-U.S. security arrangements, which are indispensable for Japan’s security, our country has always voluntarily made efforts regarding the sharing of expenses pertaining to the stationing of USFJ, as mentioned above. As part of such efforts and in view of the fact that the previous Special Measures Agreement was due to expire at the end of FY1995, Japan and the United States held consultations regarding how Japan should support the stationing of USFJ in and after the current fiscal year. In September last year, at the Japan-U.S. Security Consultative Committee, a new Special Measures Agreement was concluded to cover the five years from FY1996 through FY2000. This was approved by the Diet in November. Under the new Special

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<sup>124</sup> Nozu Kenji, Committee on Foreign Affairs, House of Representatives, November 9, 2004, p.12. The Japan Defense Agency explained that “U.S. forces are subject to restraints in the conduct of landing practices because the area around the base has been urbanized. On the other hand, landing practices have posed a serious noise problem to the local population.” In 1989, the government started construction work on the facilities on Iwojima island, and practices by U.S. forces started in August 1991. The problem was that distance between Atsugi and Iwojima is 1200 km and how U.S. forces plan their training in U.S. bases in Japan was outside of Japan’s direct control (Japan Defense Agency, *Defense of Japan 1996*, p.215). The plan to transfer the training site to Miyakejima met an opposition. Later, there was a volcano eruption in Miyakejima in 2000.

<sup>125</sup> Orita, Ministry of Foreign Affairs, Committee on Foreign Affairs, House of Representatives, November 9, 1995, p.13.

Exchanged note between Yohei Kono, Minister for Foreign Affairs of Japan, and Warren Christopher, Secretary of State of the United States of America, New York, September 27, 1995. Source: Department of State, *Treaties and Other International Acts Series*, No.12693. (Translation: Treaties and Other International Acts Series)

<sup>126</sup> Committee on Foreign Affairs, House of Representatives, November 2, 1995, p.13; Diet Minutes, No. 12, November 7, 1995, p.5.

<sup>127</sup> Murayama Tomiichi, House of Representatives, October, 3, 1995. Diet minutes, p.12.

<sup>128</sup> Japan Defense Agency, *Defense of Japan 1996*, (English version), p.177-78.

Measures Agreement, the existing framework regarding the base pay of USFJ employees and the utilities costs, etc., will be retained, and additional expenses in connection with the transfer of the training sites of USFJ at the request of the Japanese side (cost of moving training ground) will be borne by Japan anew. In addition, improvements were made in the implementation of the agreement. In view of Japan's stringent financial situation, the increase in the cost to be borne by Japan in connection with agreement is expected to be mild in contrast to the step-by-step increase that was provided for in the previous Special Measures Agreement.

The agreement was submitted to the Diet in December. After the conclusion of the SMA, the Socialist Party and the New Frontier Party showed some hesitation to submit the agreement to the Diet at first.<sup>129</sup> But the opposition was not strong enough to delay the approval, when the Prime Minister himself was from the Socialist Party. The new SMA was approved in the Diet in November 10, 1995 (see Figure 5.2).<sup>130</sup>

#### 5-1-10. Host nation support between 1996 and 2000

Between 1996 and 2000, the Host Nation Support including the implementation of the 1995 SMA became an issue between the U.S. and Japan from the same reason as the implementation of the 1991 SMA: Japan's fiscal condition. In the SCC meeting in September 1997 where new U.S.-Japan Defense Guidelines<sup>131</sup> were agreed, HNS was one of the other issues discussed. U.S. Secretary of Defense William Cohen stated that it was important for Japan to continue HNS not only from its financial value to the USFJ but from its strategic importance for bilateral relationship.<sup>132</sup>

The concern of the U.S. side on the HNS was caused by the policy initiative of the Hashimoto administration on fiscal reform of the government. The initiative started in January 1997 and its basic principle was that there was no sacred domain in the budget.<sup>133</sup> The Council of Fiscal Structure Reform, chaired by Prime Minister Hashimoto, decided in June 1997 that annual defense budget would be restrained below the level of previous year's budget during the reform period.<sup>134</sup> Defense Agency explained to the planning committee of the Council as one of the ways to decrease the size of defense budget that it would make sure that the USFJ would economize on the use of

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<sup>129</sup> Yomiuri Shimbun, September 30, 1995, p.2.

<sup>130</sup> In the House of Representatives, the new SMA was approved at the Committee of Foreign Affairs in November 6, and at the Plenary Session in November 7, 1995. In the House of Councilors, the SMA was approved at the Committee on Foreign Affairs in November 9, and at the Plenary Session at November 10.

<sup>131</sup> The Guidelines for Japan-U.S. Defense Cooperation, Security Consultative Committee, September 23, 1997.

<sup>132</sup> Kyuma, Akio, Minister of State for Defense, Zaisei Kozo Kaikaku Iinkai (Special Committee on the Promotion of Fiscal Structure Reform), House of Representatives, October 23, 1997, p.39; October 29, 1997, p.27.

<sup>133</sup> "Five Principles on Fiscal Reform," March 18, 1997, 2<sup>nd</sup> paragraph. Hashimoto resigned in July 1998. The Obuchi administration decided in December 1998 to suspend the fiscal reform initiative until the Japanese economy recovered enough.

<sup>134</sup> Council on Fiscal Structure Reform, Measures to promote the fiscal structure reform, June 3, 1997.

Japan's Host Nation Support, while making sure the smooth and effective operations of the U.S.-Japan security arrangement.<sup>135</sup> Although Finance Minister (and former Prime Minister) Miyazawa repeatedly stated that reduction of the budget items that were related to the safety of Japan should be the last thing to consider for reduction,<sup>136</sup> the signal from the Japanese government to the outside observers, including the U.S., was not very clear.

In the meeting with Foreign Minister Obuchi Keizo in December, 1997 in Washington, Cohen expressed the concern again.<sup>137</sup> FY1998 budget for HNS was reduced by 13.6 billion yen from 282 billion yen in FY1997. Among the budget categories of HNS, the budget for the Facilities Improvement Program (FIP), which was not based on the terms of the Special Measures Agreement, was reduced most by 15.3 billion yen from 103.5 billion yen. FY1999 budget for HNS was reduced by 0.5 billion yen from the previous year and the FY2000 budget for HNS was cut again by 7.5 billion yen.

#### 5-1-11 Conclusion of the Special Measures Agreement (FY2001-2005) in 2000

The process leading to the conclusion of the SMA (FY2001-2005) was about the same as in 1995. In other words, both had the same issues: Japan's tight fiscal condition and the necessity to maintain the U.S.-Japan alliance. The difference was that the economic and fiscal condition in 2000 was more serious than in 1995. Three-year average growth rate was 1.58 percent (nominal) and 0.77 percent (real) between 1993 and 1995, while they were 0.12 percent (nominal) and 0.47 percent (real) between 1998 and 2000. Nikkei average stock price (year-end price) had declined from 19,868 in 1995 to 13,785 in 2000. Public debt increased from 87 percent of GDP in 1995 to 134 percent of GDP in 2000.<sup>138</sup> The alliance relationship in 2000 was more stable than in 1995, after the Joint Statement in 1996, the agreement of the Defense Guidelines in 1997, North Korean Taepo-dong missile launch over Japan in 1998, and U.S.-Japan cooperation in missile defense program since 1998 (see p.224).<sup>139</sup>

The negotiation of the next Special Measures Agreement after April 2001 began in January 2000. The Minister of JDA Kawara Tsutomu met with the U.S. Secretary of Defense William Cohen in Washington in January 5, 2000. Cohen told Kawara that HNS had a symbolic value for showing the importance of the U.S.-Japan security relationship and it was important for Japan to maintain the

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<sup>135</sup> Higashinaka (Japan Communist Party), Special Committee on the Promotion of Fiscal Structure Reform, House of Representatives, October 23, 1997, No.231/274. He made a question on the document which the Defense Agency used when explaining to the Planning committee of the Council on Fiscal Structure Reform in April 1997.

<sup>136</sup> For example, Miyazawa Kiichi, Special Committee on the U.S.-Japan Defense Guidelines, House of Representatives, April 13, 1999, p.37.

<sup>137</sup> Asahi Shimbun, December 6, 1997, p.2.

<sup>138</sup> OECD data, General government gross financial liabilities (as a percentage of nominal GDP)

<sup>139</sup> I explained the views expressed on HNS related to the HNS process in 2000 in Chapter 8.

current level of support. Kawara responded that it would be necessary to consider the budget situation of Japan and to have Japanese taxpayers' understanding and support for HNS. At the meeting, Kawara did not mention in this meeting whether Japan would maintain or reduce the size of HNS.<sup>140</sup> The U.S. and Japan agreed to negotiate on the terms of the next SMA at official level.<sup>141</sup> The U.S. and Japan had a follow-up meeting in Tokyo in January 22 among working level defense officials.<sup>142</sup> As in the meeting in January 5, the U.S. side insisted that "Japan keep its host-nation support 'at current levels,'" and Japanese side responded that "only by reducing base-related spending can Tokyo hope to win public backing for this element of U.S.-Japan defense relations at a time when the Japanese economy is struggling and the U.S. economy is booming."

After the January meetings, the U.S. government intensified its effort to request Japan to maintain the current level of financial support for the USFJ. Thomas Foley, U.S. ambassador to Japan, met with each political party to explain the U.S. position.<sup>143</sup> During the meeting, Foley insisted that HNS is not a "sympathy budget," as was still called in the Japanese press and by opposition parties<sup>144</sup>, but a strategic contribution essential to maintaining the Japan-U.S. alliance and the stability of the Asia-Pacific region. According to him, however, there are people in Japan who think that it might be possible to maintain the alliance without the U.S. forces in Japan and HNS should be reduced accordingly.<sup>145</sup> One factor behind the U.S. intensifying its demand for HNS was an anxiety that the U.S. public and Congress would oppose HNS's reduction and that would damage the Japan-U.S. security alliance.<sup>146</sup> Foley published an article on HNS in the *Asahi Evening News* on February 10, 2000.<sup>147</sup> He stated that:

Recently there have been voices, like those mentioned in the *Asahi Shimbun's* January 19 articles, calling for a reduction in Japan's HNS. These calls, referring to support for the American forces stationed here as the "sympathy budget," mistake the fundamental nature of this contribution to the security alliance.

Japan does not provide HNS to the U.S. out of gratitude or as a consolation; it is a key element of Japan's strategic contribution. HNS frees up other resources which are then utilized to promote our joint interest in maintaining defense and deterrence in the region.

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<sup>140</sup> Kawara, Tsutomu, Minister of Defense, Security Committee, House of Representatives, February 24, 2000, p.16.

<sup>141</sup> Kono, Committee on Foreign Affairs, House of Representatives, November, 1, 2000, p.3; Kono, Committee on Foreign Affairs, House of Representatives, March 22, 2000, p.21.

<sup>142</sup> Barbara Wanner, Washington, Tokyo Continue To Debate Host-Nation Support Funding, *JEI, No. 4, Weekly Review*, Japan Economic Institute, January 28, 2000.

<sup>143</sup> James Foley, *Asahi Shimbun*, 2000.

<sup>144</sup> See p.69.

<sup>145</sup> Committee on international problems (Kokusai Mondai Chosakai), House of Councillors, August 3, 1999, p.7.

<sup>146</sup> *Daily Yomiuri*, March 7, 2000.

<sup>147</sup> Foley, Thomas, "Host Nation Support Vital to Asian Security," *Asahi Evening News*, February 10, 2000; "Omoiyari De Naku Doumei Senryaku," *Asahi Shimbun*, February 10, 2000, p.5., <http://usembassy.state.gov/tokyo/www2620.html>

Of course, any discussion of national security has to take place in the context of budgetary realities. But security - as the first among national interests - cannot be viewed merely as a budget question. Support for the alliance that underpins our shared prosperity is not just another item on the balance sheet. The total Japanese outlay under the Special Measures Agreement (SMA), which is up for review next year, averaged less than a quarter of 1 percent of the national budget in the years 1995-1999. I believe this is money well spent.

If Host Nation Support were to be cut, it is our mutual security interests - and the welfare of local Japanese citizens -- that would be hurt.

Clearly, our alliance has a proven track record in guaranteeing stability and security. I am confident it will have an important role throughout the 21st century.

Before taking actions that might impair our joint readiness, we need to think carefully -- and strategically -- about how we maintain our mutual security alliance that has worked so extraordinarily well.

Working-level examination of the agreement continued between February and June. In February 21, 2000, Kono, Minister of Foreign Affairs, met with the U.S. Secretary of State Albright. Kono did not mention about the direction of SMA when the ministries were examining the issues on HNS at official level.<sup>148</sup> In the meeting between Kono and Cohen in March 16, 2000, both countries explained the same stance as in January. Cohen stated that the U.S. expects that Japan would maintain the current level of support for HNS while the U.S. understood the economic difficulty of Japan. Kono stated that the Japanese government would make every effort to make sure that the official-level negotiation is both friendly and productive.<sup>149</sup> In April, “director-level negotiation” still continued.<sup>150</sup> In May, official level negotiation continued.<sup>151</sup> Domestic talks between Finance Ministry, that puts priority on fiscal condition, and Defense Agency/Ministry of Foreign Affairs, that put priority on the condition of the U.S.-Japan security alliance, continued in this period.

According to the news article, Japan side reached a plan to decrease the support for utilities costs by introducing a spending cap in late May, and negotiated the terms of the new SMA with the U.S. based on the plan in June.<sup>152</sup> They agreed to agree in the summit meeting during the G-8 meeting in July. In the meeting during the G-8 summit in Okinawa in July 22, 2000, Prime Minister Mori and President Clinton agreed that HNS was necessary for maintaining effectiveness of the alliance and at the same time it was important to devise a mechanism to save the use of HNS because of Japan’s fiscal condition. Both countries would discuss whether electricity and heating expenses for

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<sup>148</sup> Budget Committee, March 9, 2000, p.30.

<sup>149</sup> Kono, Minister of Foreign Affairs, Committee on Foreign Affairs, House of Councillors, March 21, 2000, p.2.

<sup>150</sup> Kono, Committee on Foreign Affairs, April 14, 2000, p.11.

<sup>151</sup> Omori, Director General, DFAA, Committee on Security, House of Representatives, May 17, 2000.

<sup>152</sup> Asahi Shimbun, p.2, May 30, 2000, “Beigun tyuryuu keihi no futan gen e, Hadome settei, Bei seifu to kosho e” (Japan to decrease the expenses for supporting U.S. forces in Japan by establishing spending caps: to begin the negotiation with the U.S. government.); Asahi Shimbun, p.2, June 28, 2000, “7 gatsu shunou kaidan de kettyaku, Bei kokumu jikanho ga yousei, Zainichi beigun chuuryuu keihi monndai” (Assistant Secretary of State Requested to reach an agreement on expenses for supporting the U.S. Forces in Japan at the summit meeting in July); Nikkei, July 22, 2000.

houses outside U.S. bases should be paid from HNS or whether it is better to make clearer criteria on funding for facilities.<sup>153</sup> Prime Minister Mori explained the agreement to the Diet that the decision was based on the consideration of the role of HNS for maintaining smooth and effective operations of the U.S.-Japan security alliance, and the necessity for saving and rationalization of the expenditure.<sup>154</sup>

Foreign Minister Kono and U.S. Secretary of State Madeline Albright signed a Special Measures Agreement in September 11, 2000 in New York after SCC meeting (2 plus 2 meeting). Electricity and water expenses were reduced by 3.3 billion yen by excluding the use by off-base housing for the U.S. military personnel and their families. No new spending item was added and the several measures to stabilize the size of HNS were added. The Defense Facilities Administration Agency summarizes the new SMA as below:<sup>155</sup>

- 1) The cost-sharing for U.S. forces stationed in Japan was expected to continue to play an important role for the smooth and effective implementation of the Japan-U.S. security Arrangement.
- 2) Japanese fiscal and economic conditions in recent years demanded certain economization and rationalization in order to gain public understanding.  
Specifically,
  - 1) The subjects of Japanese cost sharing are, as in the past, labor costs, utility costs, and training relocation costs, and U.S. efforts for economizing the relevant costs are stipulated in the Agreement.
  - 2) As for labor costs, the upper limit of the number of workers paid by Japan (23,055 workers) is left unchanged.
  - 3) As for utility costs, Japan does not share the cost for off-base U.S. housing. The upper limit of the procured quantity is reduced by the quantity for the above-mentioned off-base housing. It is further reduced by 10 percent.
  - 4) As for training relocation costs, the previous framework is maintained.
  - 5) Efforts are being made to make the provision of facilities based on the Status of Forces Agreement more efficient through the formulation of the project adoption criteria.<sup>156</sup>

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<sup>153</sup> Kono, Security Committee, House of Representatives, August 4, 2000, p.13-14.

<sup>154</sup> Mori, House of Councillors, Plenary Session, August 1, 2000, No.3/36.

<sup>155</sup> Kono Yohei, Minister of Foreign Relations, House of Representatives, Plenary Session, October 31, 2000, p.2. DFAA's web site (<http://www.dfaa.go.jp/enlibrary/01/index.html>); Araki, Committee on Foreign Affairs, House of Representatives, November 1, 2000, p.8.

<sup>156</sup> According to the new criteria on facilities, leisure facilities at U.S. bases would not be approved by the DFAA. (Omori, Director General of DFAA, Foreign affairs committee, House of Representatives of Japan, November 8, 2000, p.6) Defense Agency, *Defense of Japan 2004*, Chapter 2, Section 4 (in Japanese), explains the new standard on adoption of facility project for the U.S. Forces in Japan as follows:

- 1) To construct steadily the facilities which contribute toward building the foundation for the U.S. stationing forces (such as housing for soldiers and housing for families), while taking into account the project's necessity and urgency, and
- 2) With respect to welfare-related facilities such as recreational facilities, to examine particularly carefully project's necessity. To refrain from adopting newly a facility which we admit would be highly recreational and profitable (such as a shopping center).

This agreement was intended to be satisfactory to both sides. The Japanese side could show the symbolic reduction of 3.3 billion yen as a proof of their effort to reexamine the program. The U.S. side could say that the size of HNS was maintained almost at the current level. In the briefing after the signing of the SMA, Albright stated that “This agreement is a tangible expression of our mutual commitment to Asian peace and security and strongly attests to the shared value and vision that underpin our bilateral relationship.” Cohen stated that “This agreement is a powerful statement of our nation's shared commitment to a continued U.S. presence in the region.”<sup>157</sup>

Kono explained that there were two issues in the 1995 SMA negotiation. First issue was that the fiscal condition of the U.S. was not good and second issue was that it was necessary to make the alliance's operation smooth and effective. The first issue changed in 2000 but the second issue continued to be important. In addition, considering the fiscal condition of Japan, it was important to “economize.”<sup>158</sup>

The SMA was approved by the Diet in November 2000.<sup>159</sup> In the explanation given to the Diet for concluding the SMA, there was less emphasis on “To take into account the situation of the U.S. and Japan” and more emphasis on “effective operations of the U.S. Forces in Japan and the U.S.-Japan security relationship.” Figure 5.2 in p.78 shows that the number of question the Diet members made was the largest in 2000, showing the strong interest in the issue in a tight fiscal condition in a recession economy. Figure 5.3 and 5.4 shows that the number of articles on HNS was high in 2000, especially in Asahi newspaper.

Kono said on HNS after FY2005 that it is difficult to say what to do with HNS after the new HNS expires in March 2006 since it was difficult to predict the international situation and other relevant factors in 2006.<sup>160</sup> The size of HNS reached to its limit in the SMA in 2000. There is an uncertainty as to what will happen in the negotiation of a new SMA, which is supposed to take place in early 2005. One diet member of the Democratic Party of Japan stated that by the time when the Diet discussed the 2006 SMA, the DPJ were going to finish a fundamental reexamination of the U.S.-Japan security relationship by looking at not only the cost-sharing issue but also overall burden-sharing issues in the security alliance, and to look at the SMA as the part of the reexamination.<sup>161</sup>

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<sup>157</sup> DoD News Briefing, September 11, 2000. Presenter: Secretary of Defense William Cohen (Press Conference by U.S.-Japan Security Consultative Committee in New York, with Secretary of State Madeleine K. Albright, Japanese Foreign Minister Kono, Japanese Defense Minister Torashima, and State Department Spokesman Richard A. Boucher. Transcript as released by the U.S. Department of State.)

<sup>158</sup> Kono, Minister for Foreign Affairs, Committee on National Security, August 4, 2000.

<sup>159</sup> In the House of Representatives, Committee of Foreign relations approved the SMA on November 8, 2000, and the Plenary Session approved in November 9, 2000. In the House of Councillors, Committee on Foreign Affairs and Defense approved in November 16, 2000, and Plenary Session approved in November 17, 2000 (Yes 192, No 36 by the electric voting system).

<sup>160</sup> Kono, Committee on Foreign Affairs, House of Representatives, November 8, 2000, p.3.

<sup>161</sup> Sudo, Committee on Foreign Affairs, House of Representatives, November 8, 2000, p.35.



## 5-2. Characteristics of policy processes of the Host Nation Support program (1978-2000)

[Late 1970s]

From the description of the HNS in section 1, in both sharing of facilities costs and labor costs, I found the following factors had effects on the start and development of HNS in the late 1970s. I summarized those factors as a schematic chart in Figure 5.6 below, by dividing those factors into four categories: triggering events, background, action, and promoting factors.

- Yen's rapid appreciation to dollar in the mid-to-late 1970s
- Problem of employment of Japanese workers at U.S. bases in Japan
- Housing shortage and needs of facility improvement at U.S. bases in Japan
- U.S. effort to save costs of stationing the U.S. forces abroad in the 1970s
- Pressure from the U.S. on more burden-sharing
- Importance for Japan of the U.S.-Japan security relationship
- Importance of the stable stationing of the USFJ for the U.S.-Japan security arrangement
- Relatively low opposition from the opposition party, especially on labor cost sharing
- Reinterpretation of the SOFA (Article XXIV) on labor and facility costs was possible.
- SOFA reinterpretation was relatively easier than the discussion on the Constitution (in case of change in the role of the Article V or the Article VI emergencies).
- Demand for action from the U.S. is specific and action was urgent, especially, on labor issues.

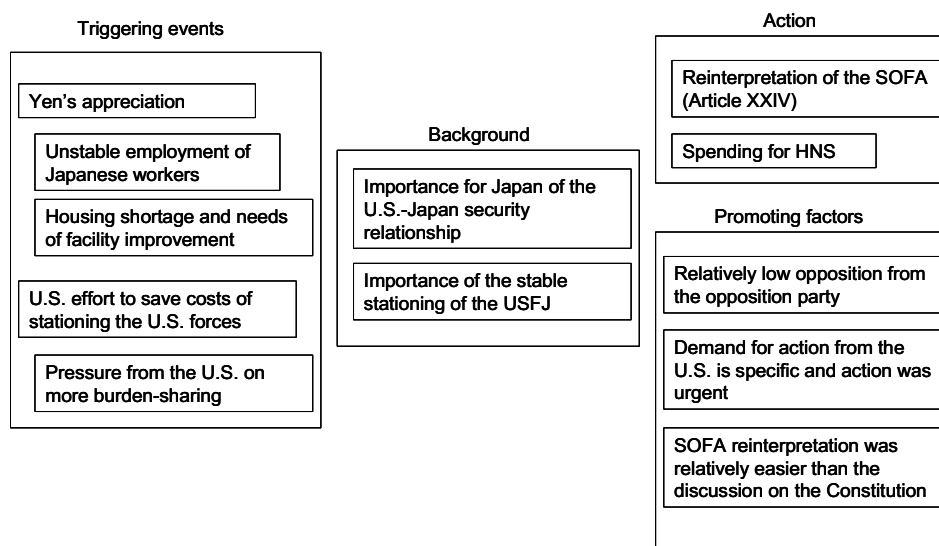


Figure 5.6 – Key factors in the policy process of the Host Nation Support program in the late 1970s

[Late 1980s]

From the descriptions of the HNS in the late 1980s, including the signing of the Special Measures Agreement in January 1987 and its revision in March 1988, I found the following factors

had effects on the development of HNS in this period. I summarized those factors as a schematic chart in Figure 5.7 below.

- Yen's rapid appreciation to dollar in the late 1980s
- Problem of employment of Japanese workers at U.S. bases in Japan
- Necessity to join in the international efforts to maintain safety in the Persian Gulf during the Iran and Iraq war (Agreement at the Venezia summit), using non-military means
- Pressure from the U.S. on more burden-sharing
- Increase of criticism in the U.S. Congress against Japan's defense policy after the Toshiba COCOM incident
- Importance for Japan of the U.S.-Japan security relationship
- Importance of the stable stationing of the USFJ for the U.S.-Japan security arrangement
- High dependence on the oils through the Persian Gulf
- Support for facilities cost increased during the early 1980s, and it almost reached to the limit within this category to support the U.S.(see Figure 4.1, p.53)
- Strong position of the Liberal Democratic Party in the Diet in the late 1980s
- Special Measures Agreement made it possible to increase labor cost sharing without revising the SOFA itself

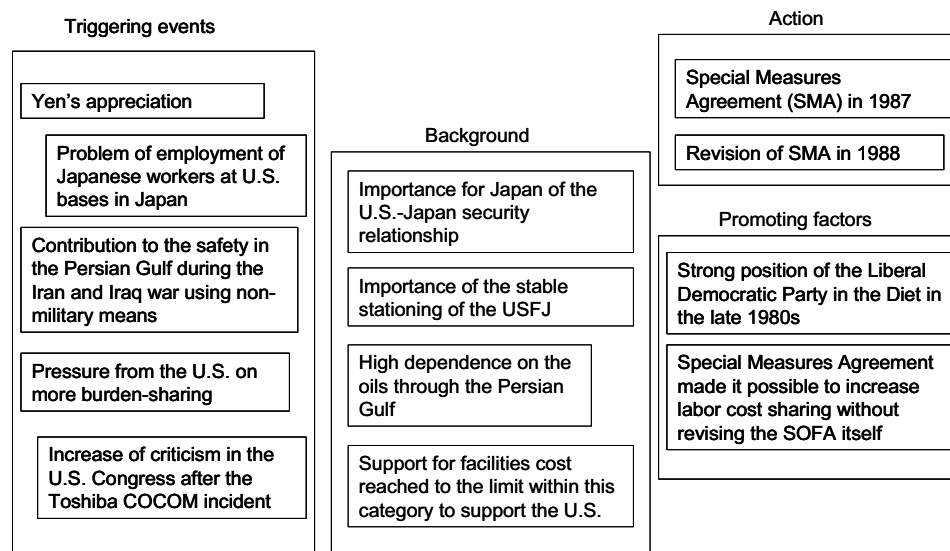


Figure 5.7 – Key factors in the policy process of the Host Nation Support program in the mid to late 1980s

[Early 1990s]

From the descriptions of the HNS in the early 1990s, I found the following factors having an effect on the development of HNS in this period. I summarized those factors in a schematic chart in Figure 5.8 below.

- Contrast in the economic condition of the U.S. and Japan in the late 1980s and the early 1990s (high economic growth in Japan, large budget deficit in the U.S., and no budget deficit in Japan)

- Large defense spending in the U.S. and U.S.'s global role in maintaining international peace and security
- Pressure from the U.S. on more burden-sharing (Congress's Panel, the Bills in the Congress, visits of the U.S. officials to Japan, GAO's report, and Gulf-war related criticism)
- Necessity to join in the international efforts to fight with Iraq to recover the safety in the Middle East during the Gulf war in 1990 and 1991
- Necessity to facilitate smooth and effective functioning of the Japan-U.S. security alliance. "Ensuring the effective operations of the U.S. armed forces in Japan" (text of the Mid-Term Defense Program and the Special Measures Agreement)
- Importance for Japan of the U.S.-Japan security relationship. "Indispensable framework to ensure Japan's security and to help the rest of the Asia-Pacific region prosper" (statement of the Chief Cabinet Secretary on the SMA)
- International society expects Japan to assume more responsibilities and Japan thinks it necessary to respond to the expectation (explanation given by the government in the Diet for the approval of the SMA)
- To maintain stable employment of the local workers at the U.S. bases in Japan (preamble text of the Special Measures Agreement) (although there were no labor disputes related to the local labors at the U.S. labor in Japan in the early 1990s)

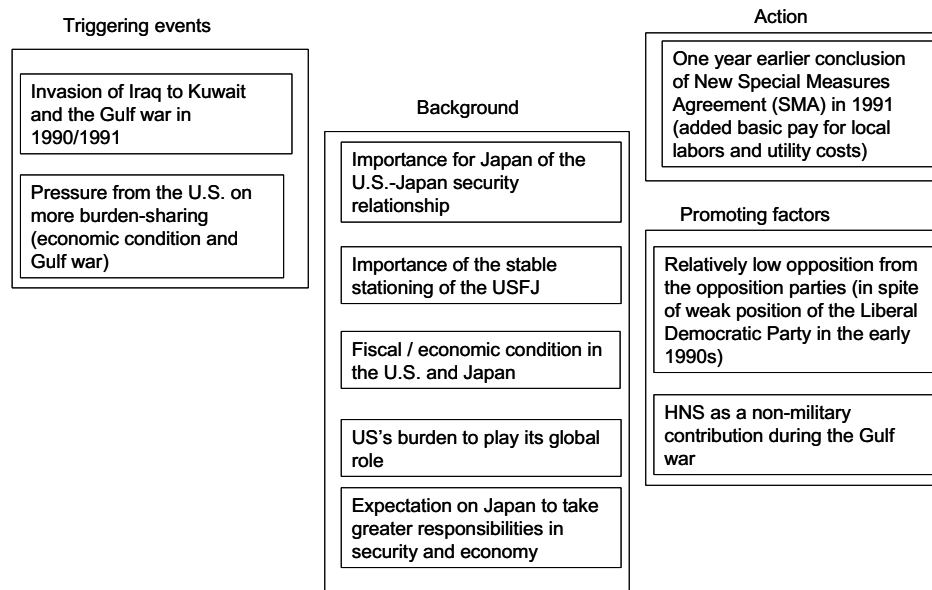


Figure 5.8 – Key factors in the policy process of the Host Nation Support program in the early 1990s

[Mid and late 1990s]

From the description of the HNS in the mid and late 1990s, I found the following factors were important. I summarized those factors as a schematic chart in Figure 5.9 below.

- No outside events like war and international crisis (different from the prior SMAs in 1986, 1987, and 1991)

- Pressure from the U.S. Congress was not strong compared to the 1980s, but there were still lots of requests to maintain the size of HNS mainly by U.S. government officials (especially in 2000)
- Reaffirmation of the alliance after the end of the Cold War in 1996 (importance of the U.S.-Japan security alliance continued to be important after the end of the Cold War, after the “adrift” in the early to mid 1990s)
- Strengthening of the alliance in the late 1990s (agreement on the Defense Guidelines in 1997 and instability in North Korea)
- Importance of U.S. forces in Japan for smooth and effective operations of the U.S.-Japan security alliance (explanation on conclusion of SMAs)
- International situation in East Asia more uncertain because of suspicion on development of nuclear weapons by North Korea)
- Harsh fiscal (and economic) condition of Japan both in 1995 and 2000 (more so in 2000, Fiscal reform initiative by Minister of Finance in mid 1990s)
- Fiscal condition of the U.S. improved in the mid and late 1990s.
- Interest on HNS among the media and opposition parties were higher than before (number of the Diet questions and newspaper articles), necessity to have the understanding of the public in Japan
- Coalition government (socialist Prime Minister) in 1995, and LDP plus Komei coalition in 2000 (majority in the Diet, but LDP’s position was not strong compared to the 1980s)
- Implementation of SMA (FY1991-1995) became a problem in the mid 1990s, because of Japan’s fiscal condition.

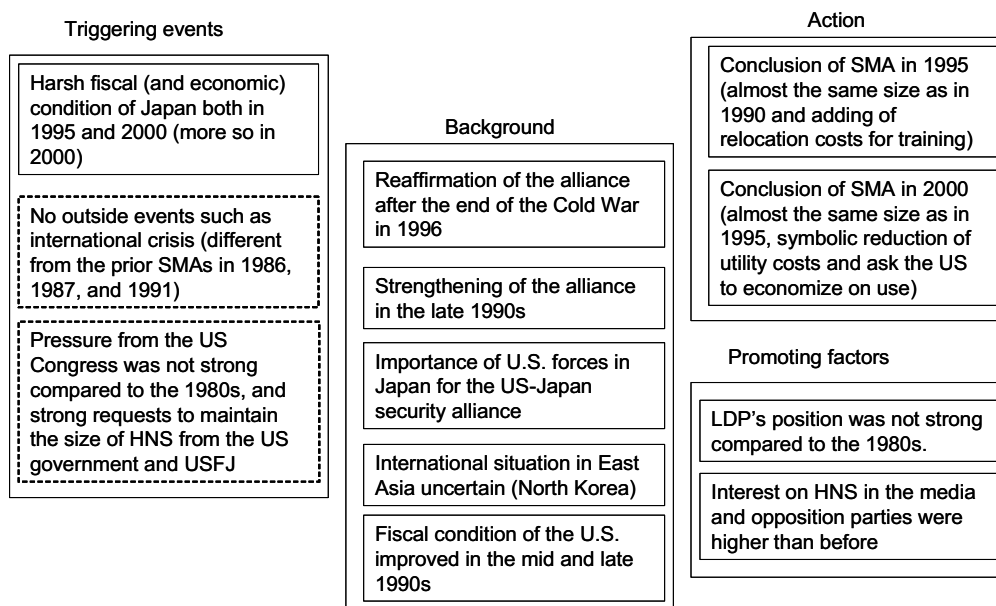


Figure 5.9 – Key factors in the policy-making process of the Host Nation Support program in the mid to late 1990s

### 5-3. Relations of the policy process with alliance contribution models

#### 5-3-1 Observation by the economic model on alliance contributions

In the late 1970s, late 1980s, and early 1990s, the size of the HNS increased, while its size was maintained or decreased in the mid to late 1990s. Why were the outcomes different? The difference in those periods was Japan's fiscal condition, yen's appreciation, whether there was the Cold War, whether the cost of USFJ changed or not, whether there was criticism from the U.S. on Japan's burden sharing, LDP's position in the Diet, whether there was major external/internal events, or interest among the public on the HNS. Some in environment of the policy process (background, promoting factors, and triggering events) in those periods were the same, or, the security alliance with the U.S. for Japan's security and the stationing of U.S. forces in Japan for effective operations of the alliance continued to be important through these periods. The characteristics of the policy process in the former period were as follows:

- 1) Importance for Japan of the U.S.-Japan security relationship  
→ Continued or increased alliance's productivity to Japan's security
- 2) Importance of the stable stationing of the USFJ for the U.S.-Japan security arrangement  
→ Continued or increased alliance autonomy's productivity in the alliance
- 3) Growth of economy and good fiscal condition  
→ Increase of [Wealth] and fiscal [Autonomy] (endowments)
- 4-1) Yen's appreciation to dollar
- 4-2) Problem of employment of Japanese workers at U.S. bases in Japan
- 4-3) Housing shortage and needs of facility improvement
- 4-4) U.S. effort to save cost of stationing the U.S. forces abroad  
→ Increased productivity of Japan's contribution to the alliance
- 5) Pressure from the U.S. on more burden-sharing  
(Increase of cost of alliance membership)
- 6-1) Low opposition from the opposition party (labor problem)
- 6-2) SOFA reinterpretation relatively easier than discussion on the Constitution  
(Decrease of [cost of alliance autonomy])

The effects above worked to increase Japan's alliance contributions, or initiate HNS and increase its size.

The characteristics of the policy process in the 1990s were as follows:

- 1-1) Reaffirmation of the alliance after the end of the Cold War in 1996
- 1-2) Strengthening of the alliance in the late 1990s  
→ Continued or increased alliance's productivity to Japan's security
- 2) Importance of U.S. forces in Japan for smooth and effective operations of the U.S.-Japan security alliance  
→ Continued or increased alliance autonomy's productivity in the alliance
- 3) International situation in East Asia more uncertain  
→ Increase of preference for security
- 4) Harsh fiscal (and economic) condition  
→ Decrease of [Wealth] and [Autonomy] (endowments)
- 5-1) Interest on HNS among the media and opposition parties were higher.
- 5-2) LDP's position was not strong compared to the 1980s.  
→ Increase of [cost of alliance autonomy]

In this period, wealth and alliance autonomy decreased and the cost of alliance autonomy increased, which worked to decrease Japan's HNS contribution. However, maintenance of security for enhancing Japan's security and Japan's contributions' importance for enhancing the effectiveness of the alliance was maintained, and the preference for security increased. As a result of those competing forces, the outcome was the about the same size of contributions with a symbolic cut. The trade off between military investment and Host Nation Support, or, trade off between strengthening of its own defense capability and strengthening of alliance, started (see Figure 4.7 in p.60), reflecting the decrease in the government resource allocated for defense purposes.

### 5-3-2 Observation by the policy process model on alliance contributions

In the economic model, I assume that policy makers analyze the change in environment variables, and analyze whether to increase or decrease alliance contributions for increasing the utility and analyze what is the most efficient way to change the alliance contributions, then discover that the HNS is the solution, and also find that HNS is the most efficient means to increase alliance contributions compared to other means (granting right to station forces, or increase of the scope of Japan's role in emergency related to the Article V and the Article VI). Another part of the story is that the government faced with the urgent problem to solve and to pay attention to such as employment of base workers and improvement of facilities when yen had appreciated rapidly against dollar, growing criticism in the Congress during an international crisis, or Japan's fiscal and economic problem. The government started the HNS as a feasible solution for the problem, or increase or decrease its size. In other words, the events to initiate a process, whether the process to start the program, to expand the program, or to stop the expansion of the program, were important such as:

- Yen's appreciation to dollars
- War in Iraq
- Harsh fiscal condition

In every period, when major policy changes were made, "triggering events," if I use the term I used in Figures 4.6-4.9, have effects on policy/decision process, that is, agenda setting, priority setting, and consensus making. Those events affect the timing of action, since those variables could make *most* of policymakers in Japan to think that, for example, "if we do not take any action at this time, the U.S.-Japan alliance is damaged," which makes critical mass of people to initiate actions.

A conspicuous problem, which makes everyone, or critical mass of people, to think it necessary to take urgent care, increases priority in the policy making process, or problem stream is generated and strengthened.<sup>162</sup> Favorable politics condition in the 1970s and 1980s (politics stream)

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<sup>162</sup> It may be possible to explain a timing of behavior as a rational choice, by asking "when is the optimal timing of starting a behavior (not later, not earlier, but exactly that timing) to solve a problem?" In this

and the generation of policies by government officials on the SOFA interpretation and conclusion of the Special Measures Agreement (policy stream) made the major policy change possible.

### 5-3-3 Alliance contribution models and HNS

Both parts in the policy making process, that is, rational judgment and political agenda setting, are important and complementary to understand the government's behavior on policy innovation. On one hand, triggering events, or pressure to choose a certain course of action would not work smoothly unless the choice of the certain course of action satisfies the "most effective" standard or "utility maximization" standard.<sup>163</sup> On the other hand, the government could not implement a "perfect" policy prescription for a problem based on utility-maximization criteria unless the problem draws attention of policymakers to an extent that the solution of the problem becomes a government decision agenda.

A reactive response to the U.S. pressures to increase financial contributions does not take place, if there is no rationality in the increase, taking into account other changes such as importance of alliance relationship for a country's security or security's importance for a national well-being.

In addition, decision-makers are not always a utility maximizer of national interest. Or rather, they are problem solvers of the issues which each of them is responsible for, for example, base issues including facilities and labors for the officials at the DFAA, the U.S.-Japan security relationship for the officials at the Ministry of Foreign Affairs, the national security and defense buildup for the officials at the Defense Agency, or fiscal discipline for the officials at the Ministry of Finance. Even if the model assuming a single utility maximizer shows one direction of change in contributions, the

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explanation, there is no place for "triggering events." In this explanation, the present as a time to start a new policy does not have to be different from the past in a conspicuous way such as a breakout of "triggering event," if the answer to the optimal calculation shows that the present, not a point in the past or the future, is the time to implement a new policy. However, it would be more reasonable to think not in this way in this study's context, since the decision maker on national security policy is not a single person, but multiple players belonging to various governmental agencies and the Diet/Congress (In this sense, triggering event in this context is different from behavioral trigger stimulus to bring about a certain response, which reward-giving strengthens, in behavioral science. This is also different from an innate trigger to a certain behavior, for example, the behavior of a newborn bird to assume a moving object which it sees first as the mother and follow the object. Also this is different from an emotional trigger, like anger in a single person, which is not a response as a result of an agreement on the agenda setting by different personalities inside the man's brain.)

<sup>163</sup> Explanation based on expected utility theory is not always correct, as literature on political psychology suggests. One literature looked at the U.S.-Japan orange trade dispute and asked "why does the U.S. government sometimes bargain long and hard over issues that were never predicted to result in substantial benefits, such as 30 year negotiation on Japan's market access for American apples whose size is only 15 million dollars?" This study concludes that the trade dispute does "not make sense from the perspective of expected utility theory" and can be explained using prospect theory, as "spiral of actions" to "take even riskier actions in an attempt to recoup losses," even if quitting a dispute now is a rational response. (Elms, Deborah Kay, "Large Costs, Small Benefits: Explaining Trade Dispute Outcomes," *Political Psychology* 25, No.2 (2004), pp.241-270)

policy process has to go through the stage of “muddling-through” among government agencies (see Figure 3.3).

If 1) there are the factors which the model does not reflect and which were important in the actual process, or 2) there are the variables which were important but function in an opposite way I expected from the model, in other words, if there is a contradiction, I deny the validity of the model, from this comparison exercise. However, there were not such factors, so I cannot invalidate the model from the comparison with the actual process.

In next chapter, I examine the models on alliance contribution in a broader perspective, by looking at all the types of environment variables and alliance contributions in the same period of HNS.





## *Chapter 6*

### *Environment and alliance contributions (macro-analysis)*

This chapter is the second part of the case study to check the validity of conceptual models of alliance contributions. Japan's alliance contributions are examined from a wider perspective than the description of the policy process of Japan's Host Nation Support in Chapter 5. Another purpose is to show the utility of the models for analyzing the change in Japan's contributions and factors that affect them.

The analysis based on the alliance contribution models, and observed change in exogenous and endogenous variables was macroscopic in nature, in a sense that it intends not to explain the decision-making process of one specific item of alliance contributions but to provide a bird's eye view on dynamism of Japan's policy on alliance contributions. From the analysis, I could have rough idea on how the government reacted to the change in environment.

First, I describe the change of environment variables. Second, I describe the change in alliance contributions of Japan, including HNS. Then those two are compared. I look at the variables in the late 1970s, late 1980s, early 1990s, and mid and late 1990s. Periods analyzed in this chapter correspond to the key decisions related to HNS in Chapter 5.<sup>1</sup>

#### 6-1. Change in environment

I summarize the changes in each of environment variables of the alliance contribution model in Table 6.1. I explain each of those changes in this section. Please see Appendix 1 on the definition and judgment criteria on each variable (p.287).

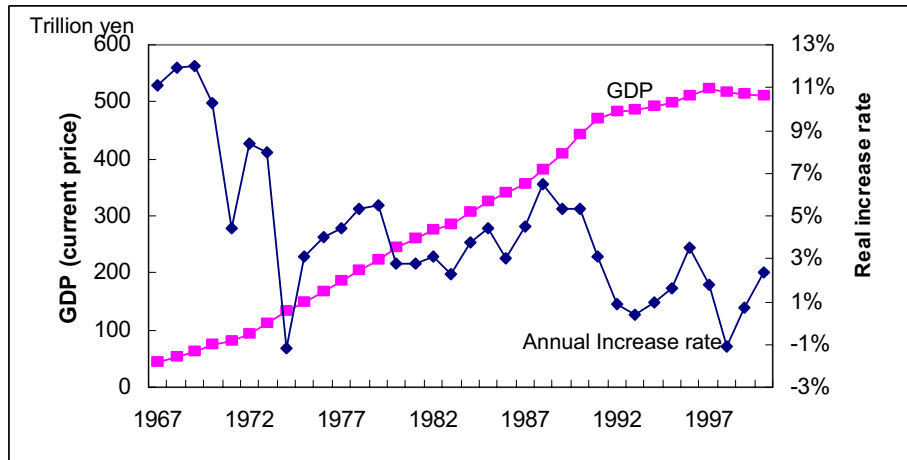
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<sup>1</sup> If you are not particularly interested in the detailed description of the change in variables, please skip section 1 and 2 and go to section 3 (p.190).

Table 6.1 – Change in environment-related variables

Variables	Direction of change				
	Late 1970s	Late 1980s	Early 1990s	Mid 1990s	Late 1990s
Wealth	↑	↑	↑	→	→
Autonomy	↑	↑	↑	→	→
Armament (spillover)	↓	↓	↓	↓	→
Alliance autonomy (spillover)	→	→	→	→	→
Cost of armaments	→	↓	→	→	→
Cost of alliance autonomy	↓	↓	↑	↑	→
Security in Utility function (to non-armament goods)	↑	→	↓	↑	↑
Security in Utility function (to domestic autonomy)	→	→	→	→	→
Armaments in Security function	→	→	→	→	→
Alliance in Security function	↑	→	→	↑	↑
Armaments in Alliance function	↑	↑	→	↓	↓
Alliance autonomy in Alliance function	↑	↑	↑	↓	↓
Sum[Armaments] in Alliance function	→	→	↓	↓	→
Sum[Alliance autonomy] in Alliance function	→	→	↑	↑	→

#### 6-1-1. Wealth



Source: Cabinet Office, Japanese Government, *Annual Report on Japan's Economy and Public Finance 2001*, p.297

Figure 6.1 – Gross domestic product of Japan (1967-2000, Unit: billion yen)

##### a. Late 1970s

The growth rate recovered in the late 1970s after the oil crisis, although the growth rates were not as high as the average rate during the 1960s. The manufacturing sector adapted to the changed economic environment, after yen's appreciation and the higher oil price, by developing higher value-

added products and introducing technological measure to reduce energy consumption, and by changing its industrial structure with more firms to use less energy consumption per value-added.<sup>2</sup> In the late 1970s, economy's growth rate decreased compared to the 1960s and the early 1970s but the growth still continued.

b. Late 1980s

The average increase rate of GDP was 3.9% during the 1980s (1980-1989). The increase rate was 4.8% during the late 1980s (1986-1989), reflecting high increase rate in 1987 (4.5%), in 1988 (6.5%) and in 1989 (5.3%). In the mid-to-late 1980s, the Japanese economy continued to grow.

Yen appreciated rapidly after the Plaza Accord in the G-5 meeting in September 1985.<sup>3</sup> The Japanese economy needed to adapt to the rapid appreciation of yen.<sup>4</sup> In order to continue the economic growth, it was necessary to change the structure of the Japanese economy so that it could achieve the economic growth path oriented by domestic consumption and domestic investment.<sup>5</sup> For maintaining the growth in this difficult period of restructuring the economy, the Bank of Japan maintained lax monetary policy and kept the interest rate low.<sup>6</sup> As a result of increased liquidity, stock price and land price became very high. The private consumption increased because of asset effects reflecting the high stock and land price.<sup>7</sup> The increase of private consumption and investment made it possible to achieve high GDP increase rate in the late 1980s.

The Japanese economy in the late 1980s was “bubble economy” as we now see the period. But such recognition was minor, as is seen in the fact that there was no mention of the danger of bubble economy in the economic report of the Japanese government in the late 1980s (1986-1990). There was a perception in the Japanese government in the late 1980s that the economy had a potential for further growth in the future.

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<sup>2</sup> Ministry of International Trade and Industry, *Chushokigyo Hakusho* (White Paper on Small and Medium Sized Firms), 1983, Chapter 4-2.

<sup>3</sup> Announcement by the Ministers of Finance and Central Bank Governors of France, Germany, Japan, the United Kingdom, and the United States (Plaza Accord), September 22, 1985. The section 18 of the announcement stated that “The Ministers and Governors agreed that exchange rates should play a role in adjusting external imbalances. In order to do this, exchange rates should better reflect fundamental economic conditions than has been the case.”

<sup>4</sup> The annual report on the Japanese economy of 1986 pointed out various effects of the rapid appreciation of yen, including weakening of exports, decrease of import prices, decrease of profits of firms, weakening of business investment, and weakening of employment (Economic Planning Agency, *Annual Report on the Japanese Economy*, August 15, 1986, introduction).

<sup>5</sup> The annual report on the Japanese economy of 1987 explained that the reasons behind the necessity of changing the structure of the Japanese economy were large trade imbalance with the U.S., possible instability of the world economy as a result of more accumulation of U.S. debt, possibility of protectionism, and necessity of reducing trade surplus in a rapid manner. (Economic Planning Agency, *Annual Report on the Japanese Economy*, August 18, 1987, introduction)

<sup>6</sup> The Bank of Japan cut the interest rate five times during January 1986 and February 1987 (2.5% in February 1987), and maintained the low interest rate of 2.5% during 1987. (Economic Planning Agency, *Annual Report on the Japanese Economy*, August 5, 1988, introduction)

<sup>7</sup> Economic Planning Agency, 1988.

### c. Early 1990s

The average increase rate of GDP was very high at 5.5% during the late 1980s (1985-1990).<sup>8</sup> The increase rate dropped to 3.1% in 1991 calendar year. But there was a perception in the Japanese government in early 1991 that the economic condition was good and that there was no reason to expect that the economic expansion since the late 1980s would stop.

I can see this from the text of the government report on the Japanese economy for the fiscal year 1990 (April 1990 – March 1991), published in August 1991. On the chapter on the condition of the Japanese economy, the report stated that<sup>9</sup> “the high economic growth rate in FY1988 and FY1989 continued in FY1990. ... Although the annual growth rate for the quarter between October 1990 and December 1990 decreased to less than 3%, the annual growth rate for the quarter between January 1991 and March 1991 went back to 11.2%.” As to the prospect of the economy, “although the tempo of the economic expansion is decreasing, ...the characteristics of the economic expansion since the late 1980s<sup>10</sup> still explains the economy in FY1990. That would mean that we could say that the economic expansion still has been continuing in FY1990.” As this report explained, the government had a view in early 1991 that the economic expansion continued in FY1990 and there was no shared perception in the government that the economic stagnation would follow in the 1990s.

### d. Mid 1990s

The average increase of GDP (real) decreased to 0.9% in 1992, 0.4% in 1993, 0.4% in 1994, and 1.0% in 1995. Although they were lower than during the early 1990s, the situation in 1995 was stable in a transition from a recession to a recovery. The white paper in FY1995 analyzed that “long-term adjustment process in the 1990s, as a result of adjustment of stock, collapse of bubbles, and yen’s appreciation, had ended around the end of 1993, and the Japanese economy entered into a recovering process in 1994. However, when the recovering process was still slow, there were the Hanshin-Awaji earthquake and rapid appreciation of yen in 1995. As a result, the economy was at a standstill in its slow transition process to a self-sustaining recovery.”<sup>11</sup>

### e. Late 1990s

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<sup>8</sup> The economic growth rates (real) were 3.0% in 1986, 4.5% in 1987, 6.5% in 1988, 5.3% in 1989, and 5.3% in 1990. All rates are for the calendar year.

<sup>9</sup> Economic Planning Agency, Japanese government, *Annual Report on the Japanese Economy*, August 9, 1991. Chapter 1, Condition of the Japanese Economy and Business Cycle, Section 1, Characteristics of the Japanese Economy in the 1990s. <http://wp.cao.go.jp/zenbun/keizai/wp-je91/wp-je91-000i1.html>

<sup>10</sup> According to the white paper, the six characteristics of Japan’s economic expansion in the late 1980s were that 1) period of economic expansion was very long, 2) the condition of the world economy was good, 3) domestic private demand increased and foreign demand decreased, 4) increase rate of employment was high and labor market was tight, 5) price and wage level became stable, and 6) surplus in current balance decreased steadily.

<sup>11</sup> Economic Planning Agency, *Annual Report on the Japanese Economy*, July 25, 1995, Introduction.

The average increase of GDP (real) was 3.4% in 1996, 1.8% in 1997, -1.1% in 1998, 0.7% in 1999, and 2.4% in 2000. The economic condition was improving but still stagnated in the year 2000. The white paper analyzed that “The Japanese economy entered into a recession again since spring 1997. After spring 1999, the economy entered into a slow improvement process. The recovery of the Asian economy in 1999 added to the recovery process. In the end of 1999, investment was starting to grow, in a cycle of adjustment of stock, increase of production and increase of firms’ profits. But there is no trend of increase of consumption as of June 2000. Thus, although we can see the movement towards a self-sustaining recovery, we have not reached to the point that leads to a real self-sustaining recovery.”<sup>12</sup>

## 6-1-2. Autonomy

The concept is hard to quantify, so I restrict the components to the elements mentioned in Chapter 3 as a practical matter.<sup>13</sup>

### a. Late 1970s

Overall the size of autonomy in the late 1970s increased (as a result of increase of wealth). The jurisdiction of Okinawa, which the U.S. occupied since June 1946, returned from the U.S. to Japan in May 1972.<sup>14</sup> The Japanese government’s autonomy over the use of land increased as a result, and the Japanese government continued to provide the land for U.S. bases after the return of jurisdiction. Although there was no change with respect to the size of land spaces afterwards, the size of wealth increased as I explained. As a result, the autonomy on the use of wealth increased. There was no change in the foreign relations in the late 1970s compared to before.

### b. Late 1980s

First, there was no change in land spaces and areas under Japan’s jurisdiction.<sup>15</sup> Second, there was an increase in monetary resources as I explained in the last section. Third, there was no change

<sup>12</sup> Economic Planning Agency, *Annual Report on the Japanese Economy*, July 2000, Introduction.

<sup>13</sup> By incorporating wealth as one component of autonomy, autonomy  $A$  is a function of variable wealth  $W$ , as  $A(W)$ . This assumption will affect the derivation of comparative statics with respect to wealth, but nothing else which I explained in the chapter on the model.

<sup>14</sup> The return of Okinawa was based on “Agreement Between the United States of America and Japan Concerning the Ryukyu Islands and the Daito Islands,” which U.S. Secretary of State, William Rogers, and Japan’s Foreign Ministry, Aichi Kiichi, signed at 17th June, 1971. Article II of the agreement states that the U.S.-Japan security treaty “become[s] applicable to the Ryukyu Islands and the Daito Islands as of the date of entry into force of this Agreement” and Article III states that “Japan will grant the United States of America on the date of entry into force of this Agreement the use of facilities and areas in the Ryukyu Islands and the Daito Islands.”

<sup>15</sup> According to the Geographical Survey Institute of the Japanese government, the area size of land under Japan’s jurisdiction was 377,708 square kilometer in 1980 and 377,737 square kilometer in 1990, both of which included the area of the Northern Territories (<http://www.gsi.go.jp/WNEW/PRESS-RELEASE/2004/0209b.htm>). The difference of 29 square kilometers between those years was due to the

in terms of size of maneuverability in foreign relations. The Cold War still continued in this period, which made the basic structure of international relations, including that in East Asia, the same as before.

c. Early 1990s

First, there was no change in land spaces and areas under Japan's jurisdiction. Second, there was an increase in monetary resources. Third, there was an increase in terms of size of maneuverability in foreign relations because of the end of the Cold War. The end of the Cold War changed the basic structure of international relations, including that in East Asia. As a result, a country does not have to restrict its diplomatic relations within either one of the two groups (see Figure 6.2).<sup>16</sup> In East Asia, for example, South Korea established diplomatic relations with the Soviet Union in September 1990, and with China in August 1992. China established or restored diplomatic relations with Indonesia in August 1990, with Singapore in October 1990, and with Vietnam in November 1991.<sup>17</sup> Japan started a negotiation on normalization of diplomatic relations with North Korea in 1991.<sup>18</sup> Going back to the criteria I explained at the beginning of this section, this change affects both the number of the diplomatic relations, and width and depth of the relationship which a country has or potentially can have.

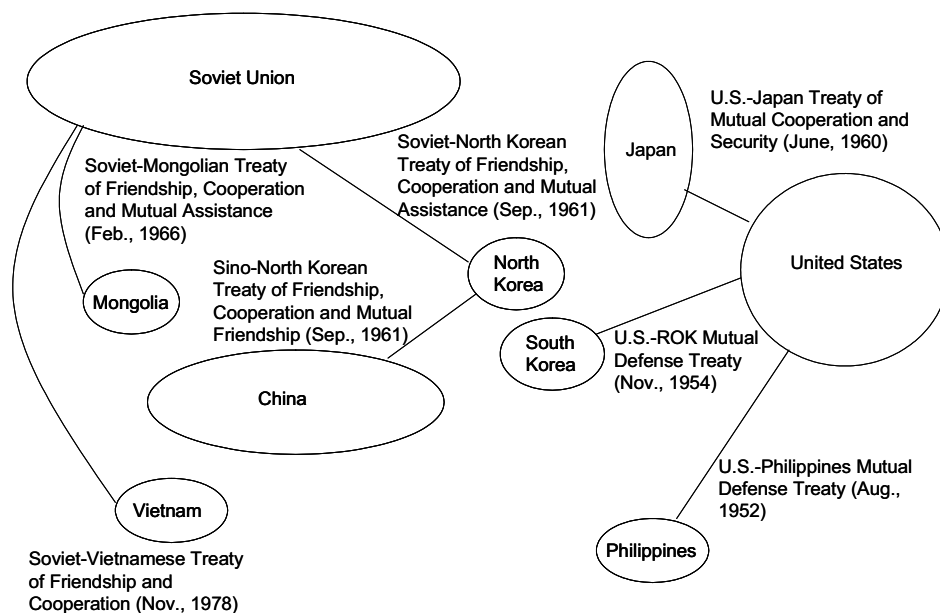
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decrease as a result of the use of new measurement in 1988 (-115 square kilometers) and the increase of reclaimed land in seafronts. However, this is a very minor change, which is 0.007% of the size of total land.

<sup>16</sup> But this is not a one time discontinuous change in a short period just after the end of the Cold War. The change is rather gradual and should be continuing during the 1990s, as is seen is the fact that NATO expansion continues in the 2000s.

<sup>17</sup> Website of the Ministry of Foreign Affairs of the People's Republic of China, for example on China and Vietnam, <http://www.fmprc.gov.cn/eng/wjb/zzjg/yzs/gjlb/2792/t16246.htm>

<sup>18</sup> Although there were 8 Japan-North Korea meetings on normalization of diplomatic relations between January 1991 and November 1992, there had been no negotiation after that until April 2000. Japan and North Korea have not established a diplomatic relation yet. Izumi Hajime, "Niccho Kokko Kousho no Gendankai" (current status of the Japan-North Korea negotiation on normalization of diplomatic relations), 2002 August 9, in Japanese, [http://kazankai.searchina.ne.jp/db/disp.cgi?y=2002&d=0809&f=taas\\_0809\\_001.shtml](http://kazankai.searchina.ne.jp/db/disp.cgi?y=2002&d=0809&f=taas_0809_001.shtml)



Note: Based on Diagram 1-3, *Defense of Japan 1991*, p.27.

Figure 6.2 – Collective security and other arrangements in areas around Japan during the Cold War

#### d. Mid/late 1990s

There was no change in the size of land spaces during the 1990s. There was no change in monetary resources and in foreign relations.

### 6-1-3. Armament (spillover)

#### a. Late 1970s

The U.S. defense budget's share to GDP peaked in 1968 at 9.4 percent for defense buildup for the Vietnam War.<sup>19</sup> After this buildup, the budget was decreasing during the early 1970s (Figure 6.3). During the early to mid 1970s, the U.S. and the Soviet Union supported the policy of détente and military confrontation subsided.<sup>20</sup> The Vietnam War ended in 1975. The defense budget became stable in the mid to late 1970s.

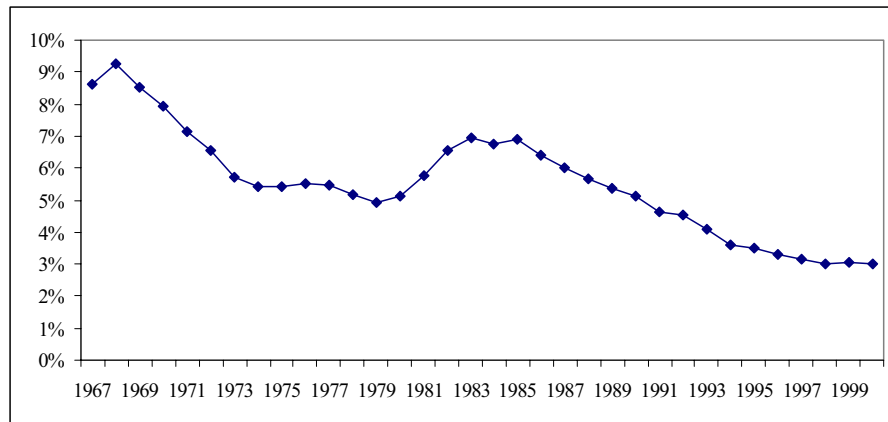
<sup>19</sup> Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2004*, Historical Tables, p.47.

<sup>20</sup> The U.S. and the Soviet Union concluded the Strategic Arms Limitation Talks (SALT) treaty in 1972, which obligates both countries "not to start construction of additional fixed land-based intercontinental ballistic missile (ICBM) launchers" (Article I) (U.S. President Richard Nixon and Soviet General Secretary Brezhnev signed "Interim Agreement between the United States of America and the Union of Soviet Socialist Republics on Certain Measures with respect to the Limitation of Strategic Offensive Arms" in May 1972).

European countries, the U.S. and the Soviet Union signed the Helsinki agreement in 1975, which, among others, required those countries to "regard as inviolable all one another's frontiers as well as the frontiers of all States in Europe and therefore they will refrain now and in the future from assaulting these frontiers" (III Inviolability of Frontiers) (Conference for Security and Co-operation in Europe, 1975 Summit Final Act, August 1, 1975).



But the détente ended when the Soviet Union invaded Afghanistan in December 1979. President Carter, whose administration's diplomacy during its first two years was based on détente, responded with rapid increase of defense budget. The budget began increasing from the early 1980s.



Source: Office of Management and Budget, *Budget of the United States Government*, Fiscal Year 2004, Historical Tables, U.S. government

Figure 6.3 – U.S. defense budget as percentage of GDP (1967-2000)

#### b. Late 1980s

The average ratio of U.S. defense budget to GDP was 6.1% during the 1980s (1980-1989) and 6.1% in the late 1980s (1985-1989). The peak of the ratio during the 1980s was 7.0% in 1983. The U.S. defense policy during the 1980s under the Reagan administration was to build up and modernize the U.S. forces rapidly in order to keep up with the rapid pace of defense buildup of the Soviet Union. In his first State of Union Address in 1982, President Reagan stated on the growing threat of the Soviet Union's forces, the U.S. defense efforts to cope with it that:

In the last decade, while we sought the moderation of Soviet power through a process of restraint and accommodation, the Soviets engaged in an unrelenting buildup of their military forces. The protection of our national security has required that we undertake a substantial program to enhance our military forces.<sup>21</sup>

The ratio decreased to 5.4% in 1989<sup>22</sup> (Figure 6.3). The peak of the inflation-adjusted defense budget (1996 dollars<sup>23</sup>) was 395 billion dollars in 1985 and the inflation-adjusted budget decreased to 356 billion dollars in 1989. Defense budget was at a high level during the 1980s and peaked at the mid 1980s, but was decreasing in the late 1980s.

#### c. Early 1990s

<sup>21</sup> President Reagan, State of the Union Address, January 26, 1982.

<sup>22</sup> Office of Management and Budget, *Budget of the United States Government*, Table 5.2: Budgetary Authority by Agency: 1976–2007, <http://w3.access.gpo.gov/usbudget/fy2003/hist.html>, <http://www.whitehouse.gov/omb/budget/fy2004/pdf/hist.pdf>

<sup>23</sup> I calculated the inflation-adjusted values using composite deflator in the *Budget of the United States Government*.

The decreasing trend in the late 1980s continued in the defense budget for FY1990 and FY1991. While the average ratio of U.S. defense budget to GDP was 6.1% during the late 1980s (1985-1989), the ratio dropped to 5.1% in FY1990 and 4.7% in FY1991. The defense budget in FY 1992 dollars (budget authority) was 324 billion dollars in FY1989 and that dropped to 281 billion dollars in FY1991. Within the budget categories, budget for procurement decreased most, by 24.1% in FY1991.<sup>24</sup> The decrease of defense budget reflected the reduction of U.S. military forces' size or "restructuring" of the U.S. forces.<sup>25</sup> The U.S. president, George Bush, explained in August 1990 that "we calculate that by 1995 our security needs can be met by an active force 25 percent smaller than today's. America's armed forces will be at their lowest level since 1950."<sup>26</sup>

#### d. Mid/late 1990s

The decreasing trend of defense budget continued in the mid 1990s. But it stopped decreasing in the late 1990s. The restructuring program of the U.S. forces was based on the Bottom-Up Review (BUR) during the 1990s, which required "forces which are able, in concert with regional allies, to fight and win two major regional conflicts (MRCs) which occur nearly simultaneously." (1995 Annual Defense Report, "Building the Right Sized Force") This process completed in the late 1990s,<sup>27</sup> and the budget became stable in the late 1990s.<sup>28</sup>

#### 6-1-4. Alliance autonomy (spillover)

This is sum of the alliance autonomy provided by all the other alliance members, which is the United States in case of the bilateral U.S.-Japan security alliance. The assumption is that it is possible to aggregate either as a vector or as a single indicator (see Appendix 1).

#### a. Late 1970s

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<sup>24</sup> Department of Defense, Secretary of Defense, Dick Cheney, *Annual Report to the President and the Congress*, January 1991, budget authority by appropriation, p.109.

<sup>25</sup> The reduction of a force structure from FY1990 to FY1995 projected by the Defense Department included "1) army divisions: from 28 (18 active) to 18 (12 active), 2) navy aircraft carriers: from 16 to 13 total (including a training carrier), 3) carrier air wings: from 15 to 13, 4) navy battleships: from 4 to 0, 5) total battle force ships: from 545 to 451, 6) tactical fighter wings: from 36 (24 active) to 26 (15 active), and 7) strategic bombers: from 268 to 181." (Department of Defense, 1991, p.24.)

<sup>26</sup> President George Bush, Speech to the Aspen Institute Symposium, August 2, 1990. in Department of Defense, 1991, p.131.

<sup>27</sup> "The drawdown of U.S. military forces in response to the end of the Cold War is virtually complete. The U.S. force structure is roughly two-thirds of its size when the Berlin Wall fell in November 1989." (1997, Chapter 24, Defense Budget)

<sup>28</sup> The plan was based on the recommendations of the Department's May 1997 Quadrennial Defense Review (QDR), which states that "To ensure military readiness in the long term, the Department must modernize U.S. forces with new systems and upgrades to existing systems in order to maintain America's technological and qualitative superiority on the battlefield" (1997, Chapter 24, Defense Budget).

Alliance autonomy provided by the U.S. to the alliance had not changed during the 1970s, in spite of the fact that the U.S. foreign policy in Asia had changed in the late 1960s in order to end the involvement in the Vietnam War.

President Nixon announced his administration's policy towards Asia in July 1969, that is, "what has been described as the Nixon Doctrine - a policy which not only will help end the war in Vietnam, but which is an essential element of our program to prevent future Vietnams," in his word, as follows:<sup>29</sup>

Before any American troops were committed to Vietnam, a leader of another Asian country expressed this opinion to me when I was traveling in Asia as a private citizen. He said "When you are trying to assist another nation defend its freedom, U.S. policy should be to help them fight the war but not to fight the war for them."

Well, in accordance with this wise counsel, I laid down in Guam three principles as guidelines for future American policy toward Asia:

--First, the United States will keep all of its treaty commitments.

--Second, we shall provide a shield if a nuclear power threatens the freedom of a nation allied with us or of a nation whose survival we consider vital to our security.

--Third, in cases involving other types of aggression, we shall furnish military and economic assistance when requested in accordance with our treaty commitments. But we shall look to the nation directly threatened to assume the primary responsibility of providing the manpower for its defense.

In this speech in November 1969, which explained the "Vietnamization" process of the Vietnam War, the U.S. president asked U.S. allies in Asia, including "Philippines, Thailand, Vietnam, South Korea, and other nations which might be threatened by Communist aggression," to take primary responsibility to defend themselves, although the U.S.'s alliance commitment itself would be firm.

This U.S. policy change did not have much impact on Japan, or change in alliance autonomy provided by the U.S. First, I look at the U.S.-Japan policy consultations on the doctrine. U.S. President Nixon and Prime Minister Sato Eisaku discussed the Nixon Doctrine in the summit meeting in October 24, 1970, and agreed on the continuing U.S. commitment to the alliance. The statement after the meeting, which the Japanese Foreign Ministry announced, said that "Prime Minister agreed that the Nixon Doctrine is a sound policy to promote the efforts by the Asian countries towards independence and it is important that this policy will be implemented in a way not to damage the security in Asia. U.S. President confirmed that the commitment to free countries is firm and permanent."<sup>30</sup>

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<sup>29</sup> Richard Nixon, Address to the Nation on the War in Vietnam, November 3, 1969.

<sup>30</sup> Announcement by the Deputy Chief Cabinet Secretary Kimura on the meeting between the U.S. President Nixon and the Prime Minister Sato, October 24, 1970, *Diplomatic Bluebook 1970*, Ministry of Foreign Affairs, p.410-412. <http://www.ioc.u-tokyo.ac.jp/~worldjpn/documents/texts/JPUS/19701024.O1J.html> (Professor Tanaka Akihiko's world database)

According to this doctrine, the U.S. consolidated the stationing forces in Japan and withdrew some of them. The Japanese government and the U.S. discussed the impact of the consolidation of forces on the effectiveness of the U.S.-Japan alliance and the commitment of the U.S. to it. In the 12th security consultative

Second, I look at the change in the size of U.S. stationing forces. The forward presence of U.S. forces is one indicator to show the change in U.S. commitment to the alliance, apart from policy statements by political and military leaders. I can observe in Figure 6.4-6.7 that there was no significant change in U.S. presence in Japan during the 1970s, different from other regions in Asia such as South Vietnam or South Korea.

Figure 6.4 (U.S. Army): The size of the U.S. army in South Vietnam and South Korea decreased rapidly from the late 1960s to early 1970s. The U.S. army in South Korea continued to decrease in the 1970s. After the increase as a result of the return of Okinawa, the U.S. army in Japan was stable in the mid-to-late 1970s and continued to be at a low level.

Figure 6.5 (U.S. Navy): The size of stationing U.S. navy decreased from the 1960s to early 1970s in all countries and areas in Asia, as a result of the end of the Vietnam War. I can see no general trend of increase or decrease in the mid-to-late 1970s in the size of U.S. navy stationing in Japan.

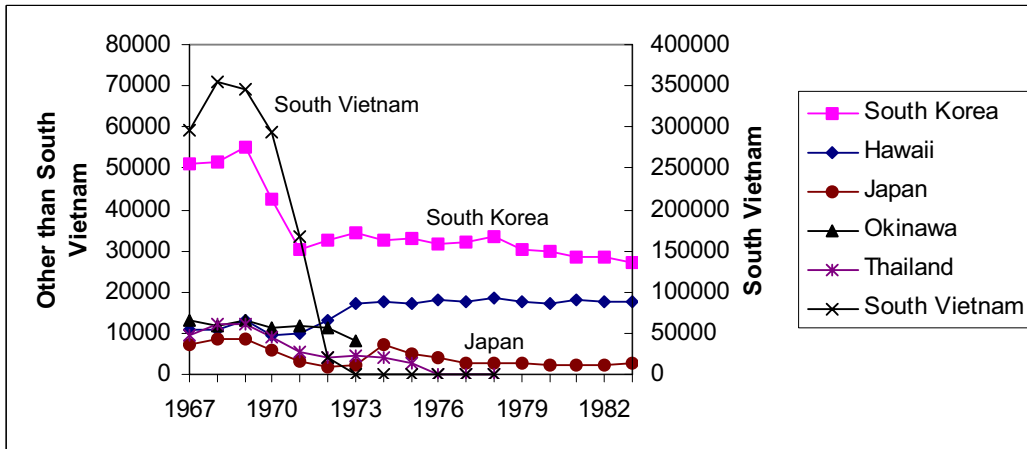
Figure 6.6 (U.S. Marine Corps) and Figure 6.7 (U.S. Air Force): The U.S. Marine Corps in South Vietnam and Air forces in South Vietnam and Thailand withdrew by the early 1970. The size of U.S. Marine Corps and Air force in Japan did not decrease in the 1970s.<sup>31</sup>

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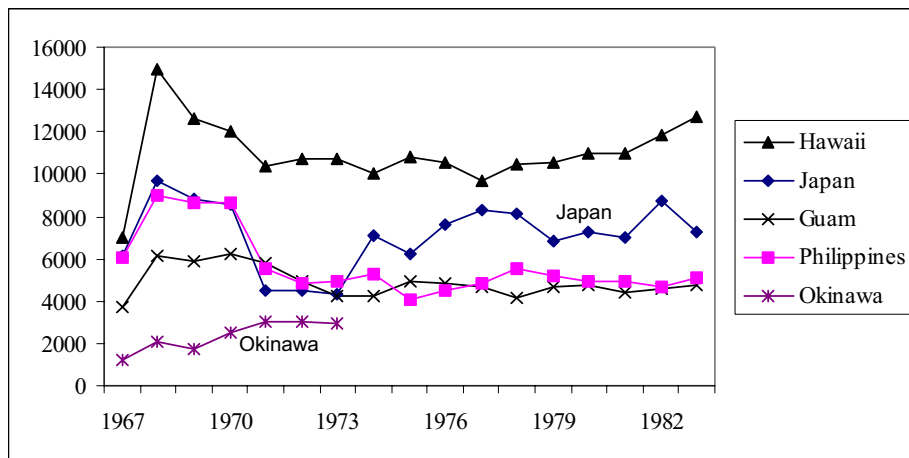
committee in December 1970, the participants of the meeting including Foreign Minister Aichi Kiichi, Defense Minister Nakasone Yasuhiro, U.S. Ambassador to Japan Armin Meyer and CINCPAC Admiral John McCain, discussed the Nixon Doctrine and U.S. forces in Japan. According to the announcement (in Japanese) which the Japanese Foreign Ministry made after the meeting, the U.S. side explained that “the purpose of the reduction and consolidation plan of the stationing forces in Japan, which is based on the Nixon Doctrine, is to make operational capability of U.S. forces more efficient and to make the most use of present resources. And the U.S. will implement the plan in a way not to damage the U.S. military capabilities in Japan and the Far East which is necessary to fulfill U.S. commitment in this region. It is only small part of the forces that would transfer back to the continental U.S., and most of the forces would transfer inside Japan and to other parts in the Far East. Those changes will not have significant importance for the deterrence and defense posture of the U.S. forces in Japan.” The size of forces decreased but the degree of reduction was not significant enough to change the U.S. commitment. (On the 12th U.S.-Japan Security Consultative Committee, December 21, 1970, *Diplomatic Bluebook 1970*, Ministry of Foreign Affairs, p. 421-423. URL: <http://www.ioc.u-tokyo.ac.jp/~worldjpn/documents/texts/JPUS/19701221.O1J.html> (Professor Tanaka’s database))

<sup>31</sup> This is in contrast to the situation in South Korea where U.S. stationing forces in South Korea decreased substantially during the early 1970s and there was suspicion in Korea to the U.S. commitment to the Korea’s defense during the 1970s. As to the withdrawal of U.S. forces in Korea, in 1970, after the Nixon announced his Asian policy, “a decision was made to reduce U.S. forces in Korea in view of the capability of the ROK armed forces to take over the primary burden of ground defense of their country and in conjunction with a U.S.-funded, five-year modernization package for the ROK armed forces.” The size of the Eighth Army decreased by over 18,000 by 1971 (“The major portion of the reduction was the redeployment of the 7th Infantry Division to the United States for inactivation on April 2, 1971. Concurrent with the reduction was a major change in the structure of Eighth Army’s combat forces. In March 1971, the 2nd Infantry Division pulled back from the DMZ and turned over its area of responsibility to a ROK Army division.” (History of the Eighth United States Army, official website of the Eighth United States Army, Korea, <http://8tharmy.korea.army.mil/Eusapages/History.htm>)).

During the mid-1970s, Jimmy Carter pledged during presidential election campaign to withdraw forces in South Korea, saying that “I believe it will be possible to withdraw our ground forces from South Korea on a phased basis over a time span to be determined after consultation with both South Korea and

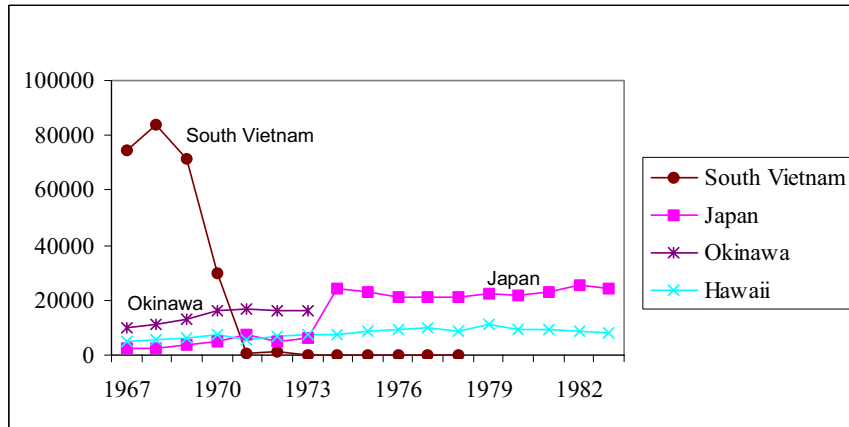


Source: Department of Defense, *Active Duty Military Personnel by Regional Area and by Country*, various years  
 Figure 6.4 – Size of U.S. Army in the Asia and Pacific area (1967-1983)



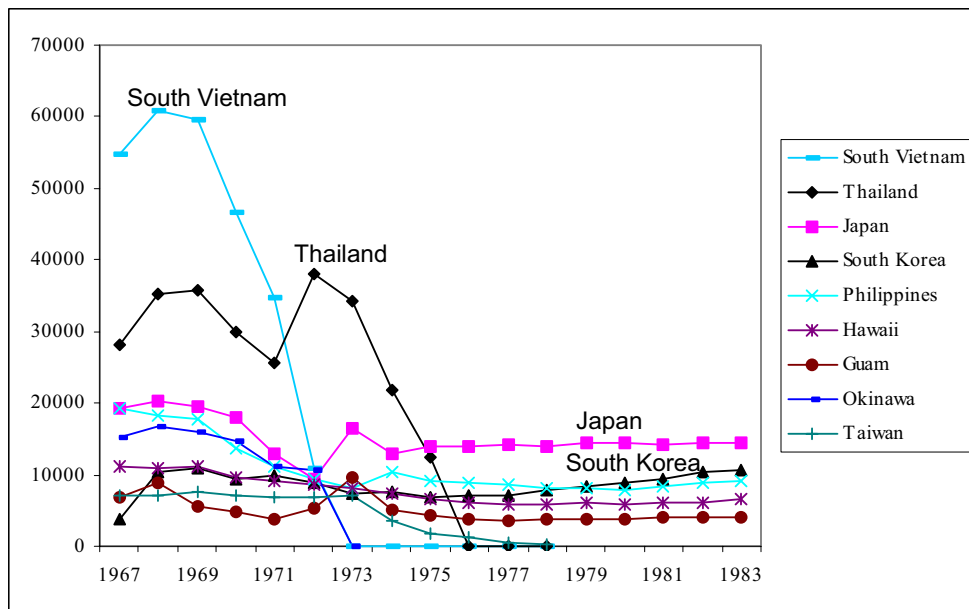
Source: Same as Figure 6.4.  
 Figure 6.5 – Size of U.S. Navy in the Asia and Pacific area (1967-1983)

Japan.” (Jimmy Carter, June 23, 1976. Cited in Gibney, Frank, “The Ripple Effect in Korea,” *Foreign Affairs*, October 1977.) After Carter became the President, he announced the phased withdrawal of U.S. forces from South Korea as one of the first major foreign policy moves in his Administration, although the administration did not implement this withdrawal plan.



Source: Same as Figure 6.4.

Figure 6.6 – Size of U.S. Marine Corps in the Asia and Pacific area (1967-1983)



Source: Same as Figure 6.4.

Figure 6.7 – Size of U.S. Air Force in the Asia and Pacific area (1967-1983)

#### b. Late 1980s

I do not see increase or decrease in autonomy (spillover) from the observation of policy statements and the size of deployed forces in the Asia Pacific region.

At the same time as to increase the U.S. military capability as rapidly as possible, the Reagan administration put its continuing importance to keeping the alliance network, and made efforts to maintain the reliability of the alliance commitment. The annual defense report in 1982 stated on the importance of the alliances for the U.S. that:

Another fundamental continuity in our defense strategy is the importance of U.S. commitments to alliances and the tradition of military cooperation within an alliance framework, especially within NATO. The necessary recasting of our strategy must, as far as possible, evolve in close cooperation with our allies. (p.I-11)<sup>32</sup>

This U.S. policy that emphasized the importance of maintaining alliances to the U.S.'s interests did not change in the second term of the Reagan administration. For example, the annual defense report in the fiscal year 1988 stated that:

Owing to America's worldwide commitments and interests, and the magnitude of the Soviet threat to peace, our alliance strategy enables us to husband our limited resources, meld them with those of our allies, and employ them effectively to deter aggression or, should deterrence fail, defend our interests and restore peace on terms acceptable to us and our allies. (p.255) A strong and visible U.S. presence in the region [East Asia] is necessary to deter the Soviet Union, North Korea, and Vietnam from interfering with the independence and stability of our allies and friends. (p. 264)<sup>33</sup>

Next, I can observe in Figure 6.8 – 6.11 below that there was no general trend in the change in size of forward deployed forces in Japan of four U.S. military services in the mid to the late 1980s.

Figure 6.8 (U.S. Army): There was no change in the size of U.S. Army stationing in Japan. The size was stable at low level. The size of the U.S. Army in South Korea was slightly increasing during the 1980s.

Figure 6.9 (U.S. Navy): The size of the U.S. Navy in Japan was slightly decreasing after 1987.

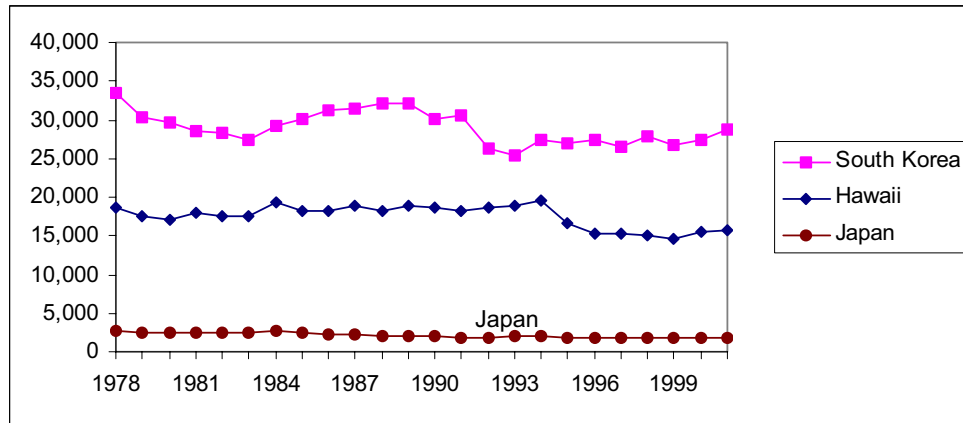
Figure 6.10 (U.S. Marine Corps): The size of the U.S. Marine Corps was increasing between 1983 and 1989.

Figure 6.11 (U.S. Air Force): There was an increase in 1985, 1986 and 1987 as a result of deployment of the two F-16 squadrons at the Misawa Air Base. The size was decreasing after 1987, but the size in the late 1980s was still higher than the level in the early 1980s.

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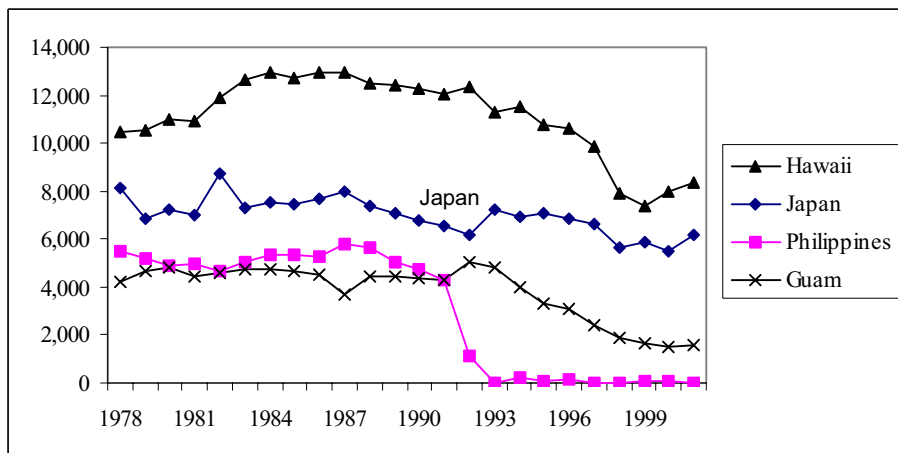
<sup>32</sup> Defensive nature of the U.S. forces has also not changed (U.S. Department of Defense, *Annual Report to the Congress*, FY1982).

<sup>33</sup> U.S. Department of Defense, *Annual Report to the Congress*, FY1988.



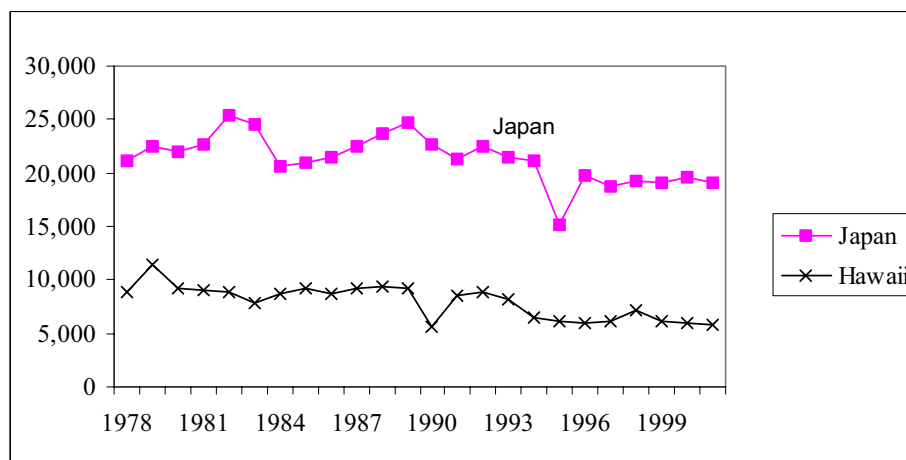
Source: Department of Defense, *Active Duty Military Personnel by Regional Area and by Country*, various years

Figure 6.8 – Size of U.S. Army in the Asia and Pacific area (1978-2001)



Source: Same as Figure 6.8.

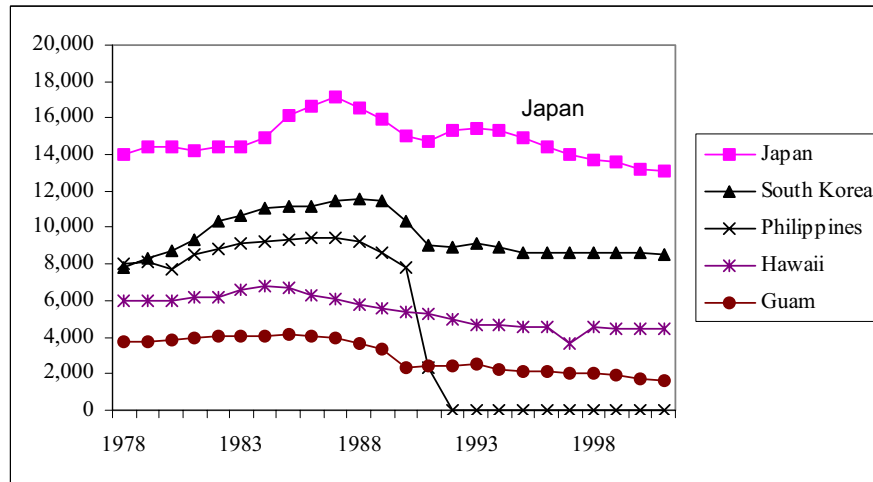
Figure 6.9 – Size of U.S. Navy in the Asia and Pacific area (1978-2001)



Source: Same as Figure 6.8.

Figure 6.10 – Size of U.S. Marine Corps in the Asia and Pacific area (1978-2001)





Source: Same as Figure 6.8.

Figure 6.11 – Size of U.S. Air Force in the Asia and Pacific area (1978-2001)

### c. Early 1990s

In this period, I do not see any change in the firmness of U.S.'s commitment on the alliance with Japan in spite of the fact that the U.S. planned to withdraw forces from Asia.<sup>34</sup>

The U.S. Department of Defense published a report on its plan to restructure forces in Asia in April 1990, *A Strategic Framework for the Asian Pacific Rim: Looking toward the 21st Century*.<sup>35</sup> This was a 10-year program to reorganize and streamline the forward presence forces in Asia. In the first phase (1990 – 1992), the reduction of forces included 7,000 from South Korea, 5,000-6,000 from Japan, and 3,500 from the Philippines. In the second phase (1993 – 1995), the U.S. would withdraw and reorganize forces further, including 5,000-6,000 from South Korea, “contingent upon our allies assuming more responsibilities, and the preservation of regional stability.” In the third phase (1996 – 2000), the U.S. would make a major force cut, “depending upon the state of East-West relations.” During the third phase, South Korea would take a leading role in its own defense according to the plan.<sup>36</sup>

The U.S. president Bush explained in the speech on the U.S. new defense policy in August 1990 that withdrawal of forces abroad was for restructuring forces and not for reducing commitment, saying that “The events of the past day [in Iraq] underscores also the vital need for a defense structure which not only preserves our security but provides the resources for supporting the

<sup>34</sup> In November 1991, Secretary of Defense Richard Cheney put the plan on hold because of the North Korean nuclear threat after the meeting with Defense Minister of South Korea. Institute for National Strategic Studies, The U.S.-ROK Alliance: Building a Mature Partnership, *IISS Special Report*, March 2004. Sotooka, Hidetoshi, Honda Masaru and Miura Toshiaki, *Nichibei Doumei Hanseiki* (U.S.-Japan Security Treaty in Half Century), Asahi Shimbun, 2001, p.451.

<sup>35</sup> Department of Defense, *A Strategic Framework for the Asian Pacific Rim: Looking toward the 21st Century*, April 19, 1990.

<sup>36</sup> Sotooka et al., p.449-451.

legitimate self defense needs of our friends and allies. This will be an enduring commitment as we continue with our force restructuring. Let no one, friend or foe, question this commitment.” The annual defense report published in January 1991 also emphasized the U.S. intention to maintain the alliances and commitment to them in the chapter on “Collective Security”<sup>37</sup>

Strong alliances are fundamental to U.S. national defense strategy. ... Strong alliances remain critical in the post-Cold War security environment. Effective policy in a world of dynamic change continues to require strong alliances for both crisis response and long-term strategic planning. .. (p.8)

In both Europe and Asia, a continuing forward deployed presence will be maintained in sufficient strength to deter aggression and fulfill mutual security treaty obligations... (p.10)

Did the reduction of forces, or “restructuring” of forces, reflect the reduction of threats rather than the reduction of commitment? The U.S. government strongly argued in the report or speeches above that the former was the case. Considering that the U.S. planned at the time to cut the size of its active force by 25 percent by 1995, or 2070,000 in FY1990 to 1,650,000 in FY1995,<sup>38</sup> this U.S. argument was reasonable, and Japanese government perceived so at the time:

Bush administration has announced plans to cut budget and reduce and reorganize the U.S. Forces. ... They are not intended for a radical change in the basic U.S. defense strategy, however. The U.S. maintains its strategies of deterrence, forward deployment and alliance. The primary objective of the U.S. defense strategy remains unchanged to deter aggression and, if deterrence should fail and armed conflict occur, to defeat the aggression as soon as possible in favor of the U.S. and its allies.<sup>39</sup>

d. Mid/late 1990s

The East Asia Strategy Report in 1995<sup>40</sup> was a reaffirmation by the U.S. of security commitments to the region (see footnote 129). It stated that “There is no more important bilateral relationship than the one we have with Japan. It is fundamental to both our Pacific security policy and our global strategic objectives. Our security alliance with Japan is the linchpin of United States security policy in Asia.” And “[T]o support our commitments in East Asia, we will maintain a force structure that requires approximately 100,000 personnel.” The DOD report on East Asian security

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<sup>37</sup> Department of Defense, *Annual Report to the President and the Congress*, January 1991. Specifically on the U.S. commitment to the security in Asian region, Richard H. Solomon, Assistant Secretary for East Asian and Pacific Affairs of the State Department explained in 1991 that “while the form of our security engagement will adjust to new realities, I can say unequivocally that we intend to retain the substance of this role and the bilateral defense relationships which give it structure. Our adaptation to new circumstances should not be misinterpreted as withdrawal. America’s destiny lies across the Pacific. Our engagement in the region is here to stay.” (Richard H. Solomon, Address to the American Chamber of Commerce, Auckland, New Zealand, Aug 6, 1991 in *US Department of State Dispatch*, Vol 2, No 33, August 19, 1991 <http://dosfan.lib.uic.edu/ERC/briefing/dispatch/1991/html/Dispatchv2no33.html>)

<sup>38</sup> Twenty five percent reduction was in Bush’s speech at the Aspen Institute in August 1990. The numbers on force size are from Japan Defense Agency, *Defense of Japan* 1991, p.15.

<sup>39</sup> Japan Defense Agency, *Defense of Japan* 1991, p.14.

<sup>40</sup> DOD, Office of International Security Affairs, *United States Security Strategy for the East Asia-Pacific Region*, February 1995, See p.154.

strategy in 1998<sup>41</sup> stated the same as the 1995 report on the alliance commitment, and the report “reaffirmed that commitment.” Also, in the Japan-U.S. Joint Declaration on Security after a meeting in Tokyo in April 1996, the U.S. and Japan jointly recognized the continuing commitment of both sides to the alliance (see p.154).

The size of U.S. stationing forces was stable during the 1990s in each of the services.

#### 6-1-5. Cost of armament

The reason why I explain the “cost” of armament is that the cost of armament can affect one country’s choice between buildup of its own military forces (either by procuring weapons from domestic or international weapons market), and sign up for an alliance relationship with a country which has already built up sizable military forces. If the cost of acquiring weapons is very high, it would be more attractive to maintain the alliance relationship with a country which has strong military forces, by sacrificing something less expensive than procuring expensive weapons, for maintaining the alliance relationship.

Ideally I need here to know whether the price level of weapons that Japan is interested in buying is increasing, decreasing or stable on average.<sup>42</sup> I need the price index for weapons and services associated with weapons for the Japanese government.<sup>43</sup> One indicator which I may be able to use as an approximation is wholesale price index (WPI) for durable consumer goods. WPI collects data on prices of goods at the stage of transaction which is the nearest to the good’s producer. Figure 6.12 shows the WPI for durable consumer goods (final goods) from 1970 to 2002. As the Figure shows, WPI for durable consumer goods has been decreasing significantly since the late 1980s, which seems not to fit the trend of prices of weapons in Japan.<sup>44</sup> This is because the size of defense

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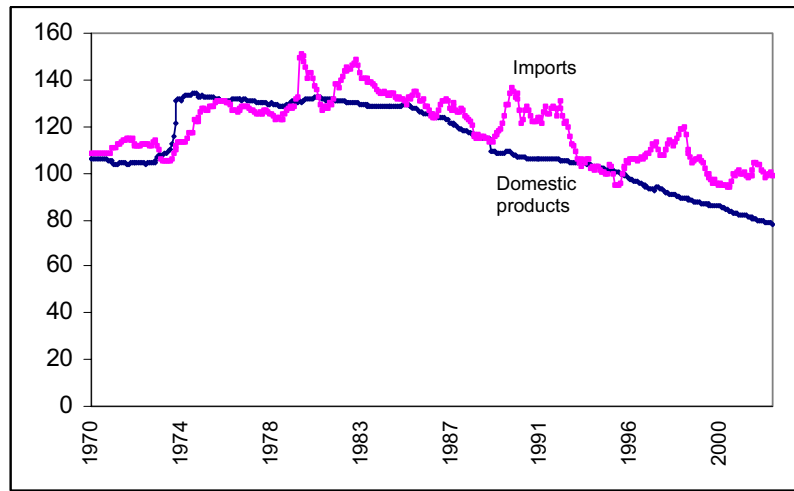
<sup>41</sup> DOD, *The United States Security Strategy for the East Asia-Pacific Region 1998*, 1997

<sup>42</sup> One dictionary of economics defines “price” as “the amount of money, or something of value, requested, or offered, to obtain one unit of a good or service.” (Rutherford, Donald, *Dictionary of Economics*, Routledge, 1992, p.360.) According to the U.S. Bureau of Labor Statistics, the Consumer Price Index (CPI) is “a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.” (U.S. Department of Labor, Bureau of Labor Statistics, Frequently Asked Questions, URL: [http://www.bls.gov/cpi/cpifaq.htm#Question\\_1](http://www.bls.gov/cpi/cpifaq.htm#Question_1).) More broadly, not only the costs on weapons but also the costs related to soldiers are relevant to the “cost of armament” in the model.

<sup>43</sup> Difficulty of estimating price index in a product area with high speed of technology development such as weapons or computers is that the index has to be quality-adjusted. For example, if the price of desktop computer with a 33 megahertz (MHz) central processing unit (CPU) was \$2,200 in 1993 and the price of desktop computer with a 3.3 GHz CPU was \$2200 in 2003, the price index of computer should show a decreasing trend. CPU speed in this example in 2003 is as 100 times high as that in 1993, which is 58 percent annual increase on average. In order to adjust price index by quality, you need to use a hedonic model, or functional form that includes both time dummy variable and quality variable and estimate the parameters of the model. It is difficult to estimate price index of military equipment this way since the number of waves of new products is low, number of companies is low, and there is not enough variability in quality variables as a result.

<sup>44</sup> “Cost for procurement and maintenance of high-tech weapons has been increasing.” Japan Defense Agency, *Shutoku Kaikaku Inkaei Houkokusho* (Report on Procurement Reform), June 1998, p.1. However, the report did not explain the change of average price level of equipment including not only high tech weapons but

procurement is very small, when compared to the total size of manufacturing production. The share of the size of production for the procurement by the Japan Defense Agency to the total size of manufacturing production was 0.62 % in 1999.<sup>45</sup> When I include only the categories related to durable goods (ships, aircrafts, cars, and electric & communication), the share increased to 1.1%,<sup>46</sup> which is still small. Therefore, wholesale price index for durable goods (final goods) would not necessarily represent the trend of price in defense equipment in Japan.



Source: Bank of Japan, Overall Wholesale Price Index, Index by Stage of Demand and Use - Special grouping, <http://www2.boj.or.jp/dlong/price/data/cdda0620.txt>

Note: 1995 average of overall wholesale price index = 100.

Figure 6.12 – Wholesale price index of durable consumer goods (final goods), Japan<sup>47</sup>

Since, it is beyond the scope of this study to estimate the price level of weapons which Japan needs to procure quantitatively in the same degree of comprehensiveness and rigorousness as WPI, I discuss two plausible conditions for deciding the price of weapons: 1) arms export policy and 2) procurement policy (foreign or domestic). First, since the Japanese government prohibits export of arms, the number of weapons which manufactures produce is limited for the procurement by the Japanese government. As a result, the price becomes higher because manufacturers need to allocate development and fixed costs among the small number of weapons. Second, in spite of higher price as a result of prohibition on arms export, the share of domestically produced weapons is high (Figure

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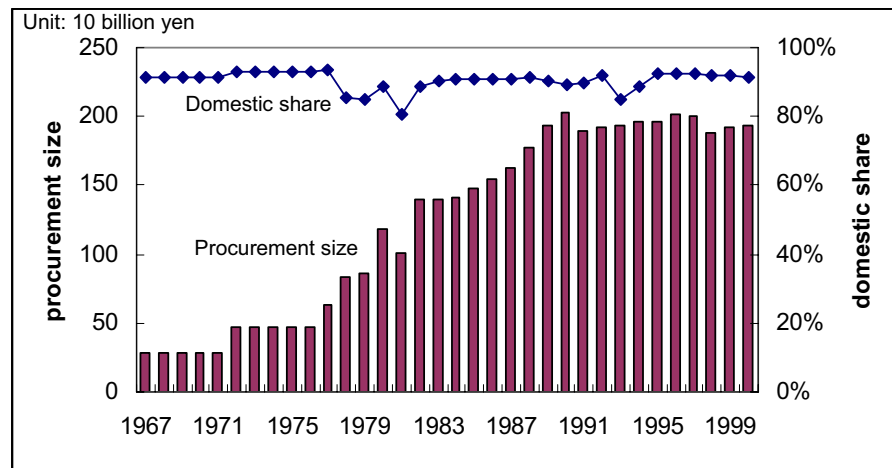
also low or medium tech weapons. Looking at the price of tanks, the price of Type 61 Tank was 77.2 million yen in 1973 and Type 74 Tank was 341 million yen in 1982. The price of tanks in the same generation was relatively stable.

<sup>45</sup> Asagumo Shimbunsha, *Handbook for Defense 2002*, p.320.

<sup>46</sup> Other 6 categories include munitions, oils, cloths, drugs, food, and others.

<sup>47</sup> The weight for Domestic Products is 69.5, and Imports is 26, while sum of all weights for calculating wholesale price index is 880.65.

6.13), 80 to 90 percent. This policy makes the cost for procuring weapons higher, because the government chooses more expensive, domestically produced weapons and the competition in Japan's defense market decreases without foreign pressure. If there is any change in those two conditions, I assume that there would be also change in the price level of weapons.



Source: Japan Defense Agency, *Defense of Japan*, various years

Figure 6.13 – Size of defense procurement and its domestic share (1967-2000)

#### a. Late 1970s

Considering those two conditions, the price of arms in the late 1970s and early 1980s was stable, at least did not show rapid increase.

First, there was a change in arms export policy. Prime Minister Sato Eisaku decided three principles on arms export in 1967, which prohibits arms export to 1) communist block countries; 2) countries to which the export of arms is prohibited under United Nations resolutions; and 3) countries which are actually involved or likely to become involved in international conflicts. Then, in 1976, Prime Minister Miki Takeo announced the unified government view of arms export, which states that 1) the export of “arms” to areas subject to the three principles on arms export shall be prohibited; 2) the export of “arms” to other areas which are not subject to the three principles shall be restrained in line with the spirit of the Constitution and Foreign Exchange and Foreign Trade Control Law; and 3) equipment related to arms production shall be treated in the same category as “arms.” So, the 1976 government view of arms export prohibited the export of machines or plants to produce arms to the areas which the 1967 principles did not include.

If the arms export decreases, as a result of the policy change in 1976, the price of weapons can increase. But I do not expect this happened, because the arms export was very small even before the 1967 policy on arms export and virtually none since 1967. So, the 1976 policy change did not

have any practical impact and rather had only symbolic value. For example, arms export was 315 million yen, or 875 thousand dollars (360 yen/dollars) in 1966, when the size of arms export was largest among the years from 1953 to 1966. Arms export was mainly pistol, rifle and bullets.<sup>48</sup> Only arms export during the three years (1974-1976) before Prime Minister Miki announced the 1976 policy change, was two pistols.<sup>49</sup>

Second, there was a small change in the share of domestic procurement as Figure 6.13 shows. The share decreased in the late 1970s. While the share was 93.4 percent in 1977, it dropped to 85.4 percent in 1978, 80.5 percent in 1981. This was because procurement of F-15, which is a tactical fighter aircraft for air force, and P-3C, which is an anti-submarine warfare patrol aircraft for navy, started in 1978 and the Japanese government imported first waves of several aircraft from the U.S.<sup>50</sup> Also, the import of 4 E-2C, which is a warning aircraft, from Grumman in 1981 reduced the share.<sup>51</sup> The procurement of E-2C was 4 and the government did not procure E-2C after 1982. Therefore, the drop of share was temporally and the share recovered by the 1980s.

#### b. Late 1980s

The Nakasone Administration changed the 1976 policy on arms export in 1983 to respond to the U.S. request. The administration made an exception to the policy to ban arms export by allowing the export of military technology to the U.S. The white paper on defense of the government explained that “Japan, in view of such factors as the progress in the Japan-U.S. technological cooperation setup and the improvement in its technological level, decided to open the way for the transfer of its military technology to the U.S. as an exception to the Three Principles on Arms Export, etc.”<sup>52,53</sup>

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<sup>48</sup> Answer by Takahashi Setsuo, Chief of Bureau for Heavy Industries, Budget Committee, House of Councillors, May 10, 1967, p.8.

<sup>49</sup> Answer by Komoto Toshio, Minister of International Trade and Industry, Budget Committee, House of Representatives, February 2, 1976, p.14.

<sup>50</sup> The government imported 8 F-15J/DJ in 1978, 4 in 1980, and 2 in 1982 from McDonnell Douglas, and 3 P-3C in 1978 from Lockheed Martin. Mitsubishi Heavy Industries license-produced other 195 F-15 and Kawasaki Heavy Industries license-produced other 98 P-3Cs.

<sup>51</sup> Japan Defense Agency, *Boei Hakusho* (Defense of Japan), 1978, III chapter 1, section 2 and section 3. *Chuoou Tyotatsu no Gaikyo* (Report on Central Procurement), Central Procurement Office, various years.

<sup>52</sup> Japan Defense Agency, *Defense of Japan* 1990, Part 3, Chapter 3, Section 3-4.

<sup>53</sup> Statement by the Chief Cabinet Secretary emphasized the importance of reciprocity in exchange of technologies between the U.S. and Japan for the operation of the U.S.-Japan security relationship in his official statement on this decision as follows (Statement of Chief Cabinet Secretary on Transfer of Military Technologies to the United States, January 14, 1983):

1. ... In view of the new situation which has been brought about by, among other things, the recent advance of technology in Japan, it has become extremely important for Japan to reciprocate in the exchange of defense related technologies in order to ensure the effective operation of the Japan-U.S. Security Treaty and its related arrangements, which provide for and envisage mutual cooperation between Japan and the U.S. in the field of defense, and contribute to peace and security of Japan and in the Far East. ...

2. ... In view of the foregoing, however, the Japanese Government has decided to respond positively to the U.S. request for exchange of defense-related technologies and to open a way for the transfer to the U.S. of

As to the choice of procurement of military equipment between foreign and domestic sources, the share of domestically produced weapons was stable at around 90% as Figure 6.13 shows. Figure 6.13 also shows that the size of procurement was increasing during the mid to late 1980s. So the market size should have increased during the mid to late 1980s even if the share of domestically procured equipment was stable. If there is a negative relationship between the size of market and price level, the price level should have been decreasing during the mid to late 1980s.

c. Early 1990s

In this period, there was no change in arms export policy. There was no change in arms procurement policy as was shown in the trend of share of domestic procurement, and no significant change in the size of procurement of weapons in FY1990 and FY1991.<sup>54</sup>

d. Mid/late 1990s

There was no change in arms control policy and no change in the procurement policy to prioritize domestic sources.

6-1-6. Cost of alliance autonomy

I here intend to discuss the trend in this cost by the change in the composition of seats in Japan's Diet, change in opinion among the population and, and social events (for example, protests) related to the U.S.-Japan security alliance, using the database of newspaper articles if available (see Chapter 3 on this concept).

a. Late 1970s

First, Figure 6.14 shows that the Liberal Democratic Party (LDP) was losing seats in the House of Representatives (lower Diet) during the 1970s, although it won the election in 1980 after sudden death of Prime Minister Ohira Masayoshi during the election campaign.<sup>55</sup> The number of seats for the LDP was 288 in 1969, 271 in 1972, 249 in 1976, 248 in 1979, 284 in 1980, and 250 in 1983. According to one analysis written in 1979, the decreasing trend on popularity of LDP was due to "movement of population from rural areas to the cities, expansion of higher education, and the emergence of an urban, young electorate not locked into the traditional social networks."<sup>56</sup> However,

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"military technologies" (including arms which are necessary to make such transfer effective) as a part of the technology exchange with the U.S. mentioned above; such transfer of "military technologies" will not be subject to the Three Principles on Arms Export. ...

After this decision in 1983, the Japanese government approved the exports to the U.S. of technologies related to portable SAMs, technology for the construction and remodeling of U.S. naval vessels.

<sup>54</sup> Budget for procurement of military equipment in Japan were 1039 billion yen in FY1988, 1098 billion yen in FY1989, 1140 billion yen in FY1990, and 1216 billion yen in FY1991.

<sup>55</sup> The general election for both lower and upper Diet seats were held jointly on June 22, 1980. Ohira died on June 12, 1980.

<sup>56</sup> Curtis, Gerald L., "Domestic Politics and Japanese Foreign Policy," p.21-85, in *Japan and the United States: Challenges and Opportunities*, edited by William J. Barnds, 1979, p.25 and 26.

opposition parties did not gain as a result of the LDP's losses in elections. Figure 6.14 and 6.15 show that the number of seats for the Japan Socialist Party (JSP) and the Japan Communist Party were relatively stable during the 1970s.<sup>57</sup> It was the social changes rather than some policy issues that caused the continuing decline in the support for the LDP, and these social changes did not lead to the gains for major opposition parties. The “black mist” scandal in 1967 and the Lockheed scandal in 1976 furthered the declining trend of the LDP.

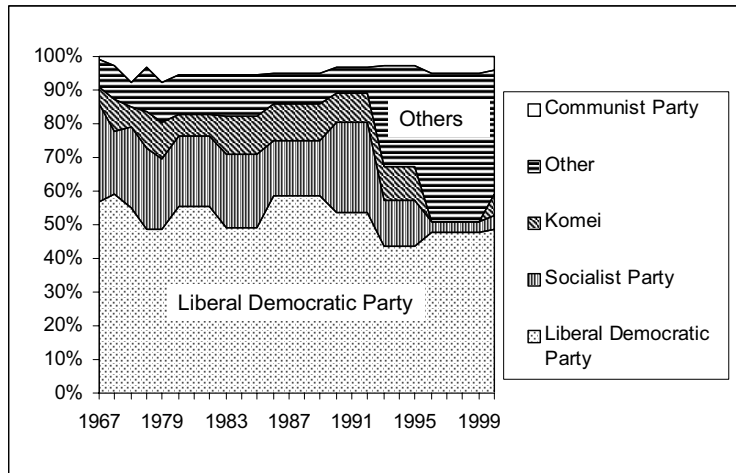
Second, Figure 6.16 shows the change in opinion among the Japanese on how to defend Japan: by the alliance or by its own military power. The Cabinet Office conducts an opinion survey on issues related to defense and Japan's Self-Defense Forces every three years.<sup>58</sup> The survey includes one question related to the perception among the Japanese on the role of the security alliance for defending Japan. The question is: “what do you think should be done to maintain the peace and safety of Japan?” with 5 choices: 1) to abolish U.S.-Japan alliance and strengthen SDF, and defend the safety of Japan by our power, 2) to defend the safety of Japan by the U.S.-Japan alliance and SDF as is the present, 3) to abolish U.S.-Japan alliance, and weaken or abolish SDF, 4) other, and 5) do not know. The figure shows the trend that the proportion of the persons who think that the maintenance of the U.S.-Japan security alliance is important for the defense of Japan and it is not realistic to draw solely on Japan's military capability was increasing during the 1970s. This trend took place in spite of the fact that the proportion of people who think that Japan may be attacked by other countries had been decreasing during the 1970s (see Figure 6.18).

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<sup>57</sup> The numbers of seats for the JSP were 90 in 1969, 118 in 1972, 123 in 1976, 107 in 1979, 107 in 1980, and 112 in 1983. The numbers of seats for the JCP were 14 in 1969, 38 in 1972, 17 in 1976, 39 in 1979, 29 in 1980, and 27 in 1983.

<sup>58</sup> Cabinet Office, “Jietai To Boei Ni Kansuru Seron Chosa” (Opinion Survey on Self-Defense Forces and Defense of Japan). This survey is personal interview-based. The number of samples is 3000, over 20 years old Japanese, which the surveyor selects using two stage and stratified random sampling.

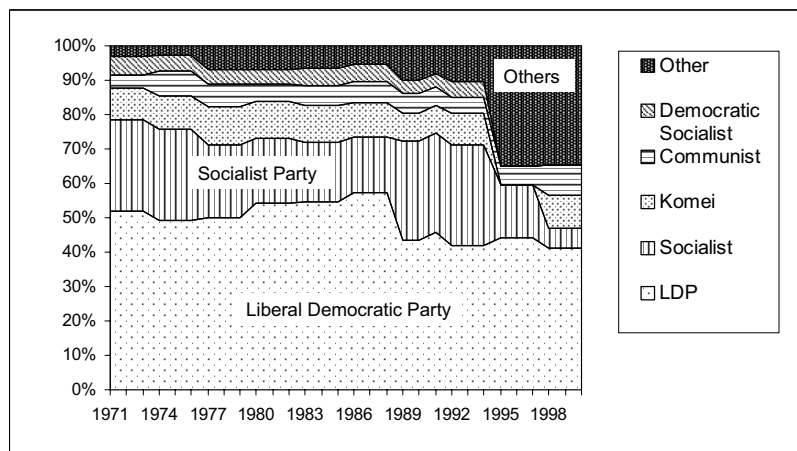




Source: Statistics Bureau, Management and Coordination Agency, *Japan Statistical Yearbook*, Elections for the House of Representatives and the House of Councillors, various years

Note: This chart does not take into account the change in the seat share between elections.

Figure 6.14 – Seat share of political parties in the House of Representatives (1967-2000)<sup>59</sup>

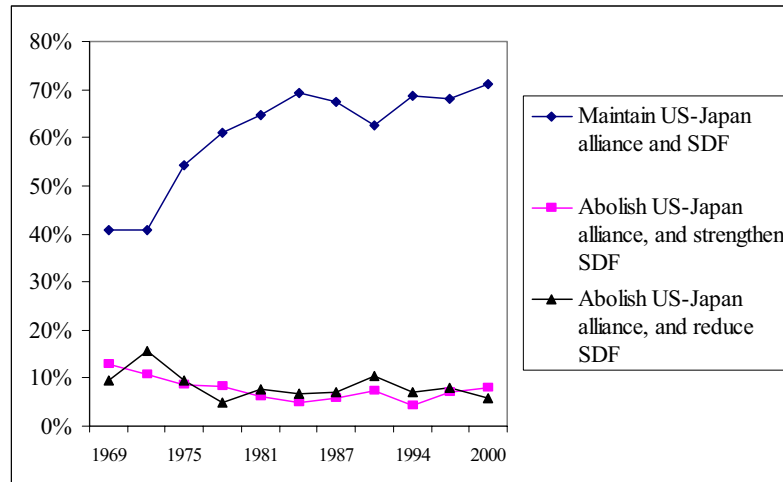


Source and Note: Same as Figure 6.14.

Figure 6.15 – Seat share of political parties in the House of Councillors (1971-2000)<sup>60</sup>

<sup>59</sup> “Other” includes Democratic Socialist Party, New Liberal Club, independent and minor party members during the 1970s/80s, and plus members of new parties during the 1990s, including Japan Renewal Party, Japan New Party, New Frontier Party, New Party Sakigake (New Harbinger Party), Democratic Party of Japan, Liberal Party, and New Conservative Party.

<sup>60</sup> “Other” includes “Independents,” “Minor parties” members during the 1970s/80s, and plus new party members during the 1990s, including Japan New Party, New Frontier Party, New Party Sakigake (New Harbinger Party), Democratic Party of Japan, and Liberal Party.



Source: Cabinet Office, “Jietai Ni Kansuru Seron Chosa” (Opinion Survey on Self-Defense Forces), 1969; Prime Minister’s Office, “Jietai To Boei Ni Kansuru Seron Chosa” (Opinion Survey on Self-Defense Forces and Defense of Japan), 1972 – 2000 (every three years)  
 Figure 6.16 – Public opinion in Japan on the U.S.-Japan security alliance and Japan’s Self Defense Forces (SDF) (1969-2000)

Third, relating to the second point on the change in opinions among the population, there were student movements in the late 1960s whose political agenda included protests to the automatic renewal of the 1960 security treaty in June 23, 1970<sup>61</sup>, but the movements lost support among students and the population in the 1970s. After clashes with the police at the Haneda Airport in 1967 or anti-America demonstrations at the U.S. bases in Japan in 1968, student activists from various universities founded Zenkyoto as a body of cooperated struggle among student organizations in 1969. Using the aggregated forces and momentum, they occupied the Yasuda Auditorium of the University of Tokyo in early 1969, but the national police introduced riot cops to the university and all of them were arrested. Students continued to organize demonstrations in 1970, but key members were already

<sup>61</sup> Article X of the security treaty stipulates that “This Treaty shall remain in force until in the opinion of the Governments of Japan and the United States of America there shall have come into force such United Nations arrangements as will satisfactorily provide for the maintenance of international peace and security in the Japan area. However, after the Treaty has been in force for ten years, either Party may give notice to the other Party of its intention to terminate the Treaty, in which case the Treaty shall terminate one year after such notice has been given.”

The domestic procedure in Japan to decide to “give notice to the other Party of its intention to terminate the Treaty” is that the government can make the decision by itself to terminate the treaty, which would mean the unanimous decision of ministers of the Cabinet and the decision at the Security Council. The following is the Diet discussion on the issue in May 1970 (House of Representatives, Committee on Foreign Affairs, May 8, 1970, Diet Minutes, pp.17-18.)

Mr. Narahashi Yanosuke (Japan Socialist Party): Does the government have a sole authority over the decision to terminate the security treaty under Article X?

Mr. Togo Fumihiko (Director-General, American Affairs Bureau, Ministry of Foreign Affairs): Since Article X states that “either Party may give notice to the other Party of its intention to terminate the Treaty,” the decision is the measure that the government can take based on that clause of the treaty.

Mr. Narasaki: If the government has a sole authority in case of giving notice to the other Party of its intention to terminate the Treaty, does the government not need an approval of the Diet or others?

Mr. Igawa Katsuichi (Director-General, Treaties Bureau, Ministry of Foreign Affairs): No, it does not.

arrested or departed the organizations by that time. After the defeat, only the most extreme left remained, such as the Red Army Faction (Sekigunha), which was established in September 1969.<sup>62</sup> Protests, demonstrations, and student movements, or “New Left” movement in Japan, which started from the protest to the revision of the U.S.-Japan security treaty in 1960, became unfashionable among people after the automatic renewal of the security treaty in 1970.

b. Late 1980s

There was a decrease in the cost of alliance autonomy, since it became easier for the policymakers in the government to make a decision with more LDP’s seats in the Diet when the support for the alliance among the population was stable and the opposition or protests among the population were not significant (and stable).

First, the share of the number of seats in the House of Representatives for the LDP was relatively stable between 50% and 60% during the 1980s and increased in the general election in 1986. In the general election of the House of Representatives in 1986, the seat of the LDP increased from 250 to 300, while the seats for the Socialist Party, Komei, and Communist Party combined decreased from 197 to 167. As a result, the LDP had a large majority in the Diet in the late 1980s, which made easier for the LDP and the government, to make a policy decision to which the opposition parties strongly opposed such as defense issues.<sup>63</sup> Second, Figure 6.16 shows that the share of the people who support the alliance was relatively stable between 60 to 70% during the 1980s.<sup>64</sup> Third, there were no large protests such as the protests by students and leftists around 1960

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<sup>62</sup> Left extremists’ violent activities increased during the 1970s. The Red Army Faction was responsible for the hijacking of a Japan Airlines (JAL) airplane (Tokyo – Fukuoka) to North Korea in 1970, and the Japanese Red Army, which was established by the Red Army Faction in the Middle East in 1971, was responsible for the murder of 26 people at Lod International Airport in Tel Aviv, Israel in 1972 (Kuriyama, Yoshihiro. “Terrorism at Tel Aviv Airport and a ‘New Left’ Group in Japan,” *Asian Survey*, Vol. 13, No. 3. (Mar., 1973), pp. 336-346.), hostage-taking in Kuala Lumpur, Malaysia in 1975, hijacking of JAL airplane over India in 1977, and other terrorist acts (National Police Agency, White Paper 1973, Chapter 1, 2-(5); White Paper 1978, Chapter 1, 2(6); and Encyclopedia: Japanese Red Army, updated on December 2003, URL: <http://www.nationmaster.com/encyclopedia/Japanese-Red-Army>). The United Red Army (URA, Rengo Sekigun), which was formed when Keihin Ampo Kyoto (Tokyo-Yokohama Joint Struggle against Japan-U.S. Security Treaty) joined with the Red Army Faction (Kuriyama, p.343.) was responsible for URA Incident where 12 URA’s members were killed by their leaders, and Asama Mountain Lodge Incident both in 1972. There was no sympathy for their violent activities among the students or population in the 1970s.

<sup>63</sup> Japan uses the parliamentary system of government, different from the presidential system of government in the U.S. In the parliamentary system of government, the policy of a majority party, from whose members the Diet appoints Prime Minister who himself or herself appoints other ministers of the government, becomes the government’s policy. There is less difference of opinions on policies between the majority party in the Diet and the government than the presidential systems of government. As a result, the majority party’s share of seats is more important for deciding the direction of policy and speed of policy implementation, than the presidential system where there may be differences in opinions between the majority party in the Congress and the President.

<sup>64</sup> Although the share decreased from 69.2% in 1984 to 67.4% in 1987, the decrease was not statistically significant, since the error (95% confidence) was plus and minus 1.9% with the sample size of about 2,374 for 67.4%, assuming a simple random sampling.

or 1970. Also I use another indicator to examine the protest activities to show anti-America and anti-alliance sentiments by using the number of newspaper articles which write on anti-Americanism. Figure 6.17 shows the number of articles that were related to anti-Americanism. I used the database on articles in Asahi newspaper (Club A& A)<sup>65</sup> and the database on articles in Yomiuri newspaper (Yomidas)<sup>66</sup>, used the search words related to anti-Americanism, that is, “han-bei”, and “ken-bei” (meaning anti-America and hatred towards America), and checked the content of the articles hit in the database to see if the article is about anti-Americanism in Japan, and on current events and not on the past events. Although the number of articles was increasing in Asahi newspaper, I do not see any trend in the number of articles in Yomiuri newspaper during the late 1980s (first year when Yomiuri newspaper’s data was available was 1987), and the trend was inconclusive.

### c. Early 1990s

The cost of alliance autonomy increased in this period. First, before the early 1990s, there was an election for the House of Councillors in August 1989, and an election for the House of Representatives in February 1990. LDP lost in the 1989 election and won in the 1990 election. The Japan Socialist Party won in both elections. In the 1989 election, LDP’s seats decreased from 144 to 110, and Socialist Party’s seats increased from 41 to 72 (see Figure 6.15). Prime Minister Uno resigned immediately after the election. As a result of this loss, the LDP lost a status of absolute majority in the House of Councillors, where the number of total seats is 252. To pass a bill, it became necessary for the LDP to win the support from Komei Party (21 seats) or Democratic Socialist Party (10 seats). In the 1990 election for the House of Representatives, the LDP decreased the seats from 300 to 275 (54% of total 512 seats). The Japan Socialist Party won and increased the seats from 85 to 136 (27% of 512 seats).<sup>67</sup> Both the Japan Communist Party and the Democratic Socialist Party lost in this election. The LDP maintained the absolute majority of total 512 seats in the House of Representatives. The rise of the Japan Socialist Party in the Diet did not mean the public opinion went to the political left such as anti-security alliance, or rather as a result of the manifestation in the 1989 election by the population to protest to Prime Minister Uno’s “geisha” scandal and protest to the corruption of the LDP politicians in the Recruit Co.’s bribery scandal, and to oppose to the introduction of consumption tax.<sup>68</sup>

<sup>65</sup> Club A&A, Kiji Kensaku Service, [http://clubaa.asahi.com/search/i\\_search.html](http://clubaa.asahi.com/search/i_search.html)

<sup>66</sup> Yomidas Bunshokan, <http://www.yomiuri.co.jp/bunshokan/>

<sup>67</sup> Polling score for the LDP decreased from 49.1% in the 1986 election to 46.1% in 1990 election. Polling score for the Japan Socialist Party increased from 17.2% to 24.4%. Statistics Bureau, Management and Coordination Agency, *Japan Statistical Yearbook 1991*, p.708.

<sup>68</sup> The catchphrase of the TV advertisement of the Japan Socialist Party during the August 1989 election was “Yes or No (to consumption tax). Your vote can change Japan.” [http://h1-san-in-sen.tripod.com/shakaito\\_1.wmv](http://h1-san-in-sen.tripod.com/shakaito_1.wmv). The Japanese Diet enacted the consumption tax bill in 1988 during the Takeshita administration and the implementation of the bill started in April 1989.

Second, I look at opinions among the population on the U.S.-Japan alliance and Japan's Self Defense Forces (SDF). The Prime Minister's Office conducted the poll between January 31 to February 10, 1991, just after the Coalition forces launched the "Desert Storm" operation in Kuwait in January 17, 1991. In the poll, the proportion of persons who selected the answer "maintain U.S.-Japan alliance and SDF" decreased from 67.4% in January 1988 to 62.4%, the proportion of persons who selected "abolish U.S.-Japan alliance and strengthen SDF" increased from 5.9% to 7.3%, and the proportion of persons who selected "abolish U.S.-Japan alliance and reduce SDF" increased from 7.2% to 10.5%. All changes were statistically significant<sup>69</sup>. The effects of the war in Iraq were strong, considering that those proportions went back to the 1988 level in the answers to the same question in the 1994 poll.<sup>70</sup> Although the change was statistically significant, the degree of change was not large in the 1991 poll in spite of the war in Iraq.

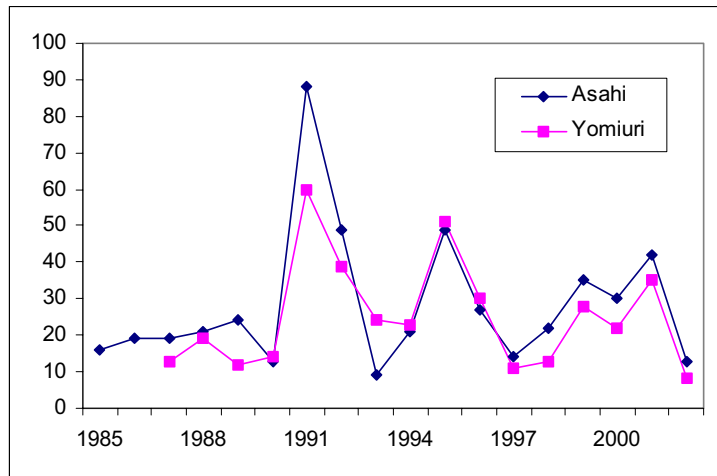
Third, I look at the event data related to the opposition to the U.S.-Japan security alliance and anti-American sentiment in Japan (see Figure 6.17). There was a large increase of the number of newspaper articles related to anti-Americanism in 1991.<sup>71</sup> However, this large increase of the number of articles reporting anti-Americanism or protest was not proportional to the increase in the opinion poll in the proportion of persons who opposed to the U.S.-Japan alliance as I explained above. This means that the anti-war or anti-American movements reported in the newspapers were not widespread among the population in general.

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<sup>69</sup> The 95% confidence intervals assuming simple random sampling are 60.3% – 64.4%, 6.2% – 8.5%, and 9.2% – 11.9% respectively. The sample size of the poll was 2,156.

<sup>70</sup> The proportions in the 1994 poll were 68.8%, 4.3% and 7.0% respectively.

<sup>71</sup> For example, titles of those articles include: "Convention of the Japan Socialist Party, full of voices expressing protests to the Gulf War" (January 31, 1991, Asahi, p.3), "Citizen's groups feels the resolution by use of forces was regrettable. Doubt the Japanese government's response." (February 28, 1991, Asahi (Osaka), p.14), or "War was not a right choice. Citizen's group plans to post an advertisement on major U.S. newspapers." (March 16, 1991, Asahi, p.1)



Source: Database of Asahi Shimbun, database of Yomiuri Shimbun, search words: Ken-bei and Han-bei (=anti-Americanism). I checked the contents of news. See p.133 on databases.

Figure 6.17 – Number of newspaper articles on anti-American sentiment in Japan (1985-2002)

#### d. Mid/late 1990s

The cost of alliance autonomy was up in the mid 1990s, and there was no change in the late 1990s (stable).

First, there was a major change in the composition in the Diet during the 1990s. During the 1990s, there were three elections for the House of Representatives: in July 1993, in October 1996, and in June 2000.<sup>72</sup> There were three elections for the House of Councillors: in July 1992, 1995, and 1998.<sup>73</sup> Figure 6.15 and 6.16 show that 1) seat share of traditional opposition parties such as the Socialist Party declined, 2) seat share of the LDP also decreased compared to the 1980s, and became stable in the mid to late 1990s, and 3) seat share of new parties increased, although new parties were unstable. As a result of those changes, the government was formed by coalitions of political parties less powerful than the LDP during the 1980s: a coalition by opposition parties to the LDP in the early 1990s (Hosokawa and Hata) and a coalition by the LDP and other parties in the mid and late 1990s (Murayama, Hashimoto and Obuchi).<sup>74</sup> On one hand, the coalition government made it difficult to move forward on issues related to defense issues to maintain a fragile coalition. On the

<sup>72</sup> July 1993 (511 seats [districts 511]), October 1996 (500 seats [small districts 300, proportional representative 200]), and June 2000 (480 seats [small districts 300, proportional representative 180]). One term of congressmen for the House of Representatives is 4 years, but Prime Minister is given the power to dissolve the Diet and hold an election.

<sup>73</sup> 126 seats [district 50, proportional representative 76]. One fixed term of congressmen for the House of Councillors is 6 years, and half of congressmen are elected every three years.

<sup>74</sup> Hosokawa Morihiro (Prime Minister: 1993.8-1994.4, supported by Hosokawa's Japan New Party and other 7 non-LDP parties); Hata Tsutomu (1994.4 -6, supported by Hata's Renewal Party and other non-LDP parties); Murayama Tomiichi (1994.6-1996.1, supported by LDP, Murayama's Socialist Party, and Sakigake); Hashimoto Ryuichiro (1996.1-1998.7, supported by Hashimoto's LDP, Socialist and Sakigake); and Obuchi Keizo (1998.7 -2000.4, supported by Obuchi's LDP, Liberal Party, and Komei).

other hand, the coalition government made it easy to move forward on defense issues, since traditional opposition parties became a part of the coalition government by agreeing not to pursue their traditional agenda such as opposition to the SDF and to the alliance and their opposition in the Diet became weaker as a result. It would be difficult to say whether the situation in the Diet in the 1990s and the political background of the coalition government alone made the activities of policymakers working on the U.S.-Japan alliance and Japan's defense policy more or less difficult.

Second, the opinion poll shows that the support for the alliance was larger than at the height of the Cold War during the 1980s, and was gradually increasing. At the same time, the proportion of answers "to abolish the alliance and to strengthen Japan's military forces" was also increasing during the 1990s, but that proportion was still small. Although the insight gained from the seat composition in the Diet above was mixed, more support and understanding to the U.S.-Japan alliance among the public should affect the activities of coalition parties in a way to make it less difficult to take up an issue to lead to the increase of contribution to the alliance.

Third, the number of articles on anti-America incidents declined after the end of the Gulf War in 1991, but it increased again in 1995 after an incident that an elementary school girl was raped by three U.S. servicemen in Okinawa.<sup>75</sup> The size of the demonstration in October 1995, to protest the incident and to ask the revision of the Status of Forces Agreement was largest in Okinawa, 85 thousands, after the return of Okinawa to Japan in 1972.<sup>76</sup> Although this did not lead to the opposition to the alliance at a national level as seen in Figure 6.17, but the problem associated with U.S. bases in Okinawa became an issue for the central government to deal with.

#### 6-1-7 Utility function (with three arguments: security, non-armament goods and domestic autonomy)

##### A. Security and non-armament goods

How did value judgment of policymakers in Japan change so that one variable, security, would contribute more to the increase of the utility than another variable, non-armament goods?<sup>77</sup> The discussion is not about the choice between arms (own defense buildup) and alliance to achieve a certain level of security, but about the choice among combinations of different levels of security and non-armament goods to achieve a certain level of utility. I look at documents on the characterization

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<sup>75</sup> Detail of the incident is in Johnson, Chalmers, *Blowback: The Cost and Consequences of American Empire*, First Owl Books, 2000. p.34-37.

<sup>76</sup> *Okinawa Times*, Oct 22, 1995. The size was 56,000 according to the prefecture police in Okinawa.

<sup>77</sup> In international relations theory, a group of theorists called "constructivists," criticizing both realism and liberalism theories, try to "understand how preferences are formed and knowledge is generated prior to the exercise of instrumental rationality," since "it is important to look beyond the instrumental rationality of pursuing current goals and to ask how changing identities and interests can sometimes lead to subtle shifts in states' policies, and sometimes to profound changes in international affairs." (Nye, Joseph S, Jr., *Understanding International Conflicts: An Introduction to Theory and History*, Forth Edition, Longman Classics in Political Science, 2003, p.8)

of international situation, and the result of the polls on people's perception on security, and analysts' views related to this concept.

a. Late 1970s

Security increased its importance for Japan's utility in the late 1970s which the end of détente and invasion of the Soviet Union into Afghanistan characterized. First, I explain the change in the Soviet Union's forces, and second, the change in public opinion on safety of Japan.

While the détente decreased the tension between the Soviet Union and the U.S., the Soviet Union was strengthening its conventional military power through the 1970s. White paper on defense of the Japanese government in 1976 or in 1978 pointed out the necessity to be watchful about increasing strength of the Soviet Union's force, especially its naval forces and improvement of capability of projecting military forces.<sup>78</sup> The 1979 white paper on defense analyzed the Soviet Union's forces as follows:

Movements by the Soviet forces in East Asia have become more active. On Kunashiri and Etorofu islands, an integral part of Japanese territory, Soviet ground forces were deployed for the first time since 1960. ... the Soviet Union, which has always commanded a quantitative superiority of ground forces over the West, has continued to reinforce its military power at a much faster pace. Above all, the Soviet Union has not only increased the quantity of its nuclear weaponry, but also achieved remarkable improvements in targeting accuracy, and reinforced its highly invulnerable submarine-launched ballistic missile (SLBM) force. The Soviet Union ... has succeeded in establishing a naval presence in oceans around the world, and in obtaining the capability of projecting military forces and providing emergency military assistance to distance areas.<sup>79</sup>

The détente ended when the Soviet Union invaded Afghanistan in December 1979 and its military activities in the area near Japan also increased. The 1980 white paper analyzed the Soviet Union's military activities near Japan's territory as follows:

As for the Soviet efforts in the vicinity of Japan in terms of military buildup, ... ground troops were deployed on Etorofu and Kunashiri islands in the summer of 1978 and, in the summer of last year, the Soviet Union deployed troops even on Shikotan Island. The buildup of both the Soviet ground forces in the Far East and the Soviet Pacific Fleet has been remarkable in the past several years, and the military situation surrounding Japan has become even more difficult due to such factors as the deployment of Backfire bombers and SS-20 intermediate-range ballistic missiles in the Far East and the use of bases in Vietnam.<sup>80</sup>

Second, public opinion on perception of safety among Japanese during the 1970s reflected the détente and then increase of the Soviet Union's military activities.<sup>81</sup> The specific question I am

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<sup>78</sup> Japan Defense Agency, *Defense of Japan 1976*, Chapter 1; 1978, Chapter 1.

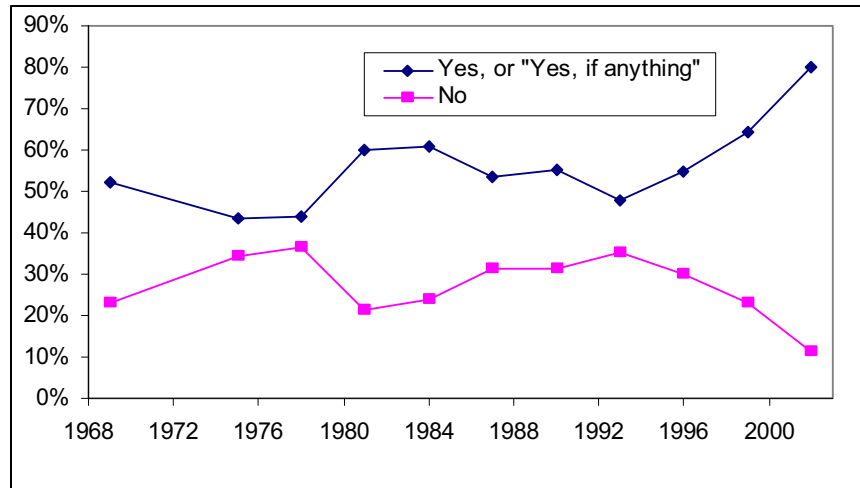
<sup>79</sup> Japan Defense Agency, *Defense of Japan 1979*, Chapter 1 "Trends in the International Situation," p.3.

<sup>80</sup> Japan Defense Agency, *Defense of Japan 1980*, Chapter 1 "Trends in the International Situation," p.6.

<sup>81</sup> The public is not well informed basically on national security issues. For example, 39.1 percent of respondents answered that they were not interested much in defense issues and 11.3 percent answered that they were not interested in defense issues at all (question 3, Prime Minister's Office, "Jietai To Boei Ni Kansuru Seron Chosa" (Opinion Survey on Self-Defense Forces and Defense of Japan), 1978). To the question to ask the total number of military personnel of Japan's three military forces, only 10.5 percent chose the right



interested in the survey of the Prime Minister's Office was "considering from the current international situation, do you think that there is a risk that some other country will start a war with Japan, or Japan will be entrapped in a war?" The answer choices for the question were: 1) yes, there is a risk, 2) yes, there is a risk, if anything, 3) no, there is no risk, and 4) do not know. The result in Figure 6.18 shows that the public opinion on safety on Japan reflected the détente until the late 1970s and the insecurity after the late 1970s, caused, in particular, by the invasion of the Soviet Union on Afghanistan.



Source: Prime Minister's Office, "Jietai Ni Kansuru Seron Chosa" (Opinion Survey on Self-Defense Forces), 1969; Prime Minister's Office, "Jietai To Boei Ni Kansuru Seron Chosa" (Opinion Survey on Self-Defense Forces and Defense of Japan), 1975-2002 (every three years)<sup>82</sup>

Figure 6.18 – Public opinion in Japan on the risk of Japan being in a war (1969-2002)

#### b. Late 1980s

The preference between security and non-armaments goods was at the same level in the mid to the late 1980s. First, in 1985, Secretary of the Central Committee of the Communist Party of the Soviet Union, Mikhail Gorbachev became the General Secretary of the Communist Party and he initiated various economic and social reforms to reverse the economic decline. As to the foreign and security policy areas, he signed the Intermediate-Range Nuclear Forces treaty (INF) in December 1987, with the U.S. President Ronald Reagan, which banned the possession of missiles with ranges

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category, 200-300 thousands (question 8, 1975 survey). The low-level interest in or knowledge on defense issues is in contrast to that in other policy areas such as education. For example, in another survey by the Prime Minister's office, 17.2 percent of respondents answered that they are very interested in education policy and 54.6 percent answered that they are interested in education policy (question 1, Prime Minister's Office, "Kyoiku Mondai Ni Kansuru Seron Chosa" (Opinion Survey on Education), 1985). However, the result provides a consistent indicator on how Japan is threatened militarily in people's perception, which translates into the change in the preference for security over non-armaments goods.

<sup>82</sup> "Jietai To Boei Ni Kansuru Seron Chosa" conducted in 1972 did not include this question.

between 500 and 5,500 kilometers.<sup>83</sup> He also signed with Afghanistan, Pakistan and the U.S. the Geneva agreement on the Afghanistan issue in 1988, which stipulated the timetable for withdrawal of the Soviet forces from Afghanistan.<sup>84</sup> Observing those changes in the Soviet Union's foreign and military policy, the white paper on defense of the Japanese government provided the mixed views on the Soviet Union's military forces near the Japanese territories as below.

[White paper 1988]<sup>85</sup>

General Secretary Mikhail Gorbachev, who assumed the post in March 1985, has since advocated "perestroika" (restructuring) to revitalize the Soviet economy... Notwithstanding these developments, there has been no discernible change in the general trend of the Soviet military buildup as seen in the deployment of SS-24 ICBMs, the commissioning of the fourth Kiev-class aircraft carrier and the deployment of fourth-generation aircraft. (p.6)

[White paper in 1990]<sup>86</sup>

Since General Secretary Gorbachev announced the unilateral reduction program of its military forces in the Far East over the next two years in May last year, Soviet ground, naval and air forces have been reduced during the past year in terms of quantity. But while scrapping equipment most of which is old, the Soviet Union has continued deployment of modernized equipment at levels as high as the previous year. Consequently, the Soviet military forces have greatly stepped up their reorganization, streamlining and modernization. (p.37)

Second, in the poll in 1987, the proportion who answered "yes, or yes if anything" decreased, approaching towards the level of the proportion before the Soviet's invasion. But "yes, or yes, if anything" was still higher and "no" was lower in the 1987 poll than the level in the 1978 poll.<sup>87</sup>

Third, I look at the change in Japanese intellectuals' thinking on military power versus economic power. In Thomas Berger's book on anti-militarism and culture on Japan,<sup>88</sup> he explained about Japan's ideologues' thinking in the 1980s that "the most important change was the Right-idealists' increasing emphasis on economic over military power. Until the early 1980s, Right-idealist writers such as Shimizu Ikutaro<sup>89</sup> still stressed the importance of military power and political stature

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<sup>83</sup> The U.S. and the Soviet Union signed the treaty in December 8, 1987. According to the explanation by the U.S. State Department, "The treaty eliminated an entire class of ground-launched intermediate-range and shorter-range missiles and their launchers and prohibits possession of such systems thereafter. It covers missile systems with ranges equal to or in excess of 500 kilometers (km), but not in excess of 5,500 km." U.S. Department of State, 16 May 2001, Fact Sheet: State Department on 1987 INF Missile Treaty, <http://usinfo.state.gov/topical/pol/arms/stories/01051701.htm>

<sup>84</sup> The formal name of the agreement was "Agreements on the Settlement of the Situation Relating to Afghanistan." Afghanistan and Pakistan, and United States and Soviet Union as state guarantors, were parties to the agreement, which those countries signed in April 11, 1988. The bilateral Pakistani-Afghan "Agreement on the Interrelationships for the Settlement of the Situation Relating to Afghanistan," which was one of the 4 agreements, mentioned the withdrawal of Soviet military force. Klass, Rosanne, "Afghanistan: The Accords," *Foreign Affairs*, Summer 1988, pp.925-944.

<sup>85</sup> Japan Defense Agency, *Defense of Japan* 1988, Japan Times, 1988.

<sup>86</sup> Japan Defense Agency, *Defense of Japan* 1990, Japan Times, 1990.

<sup>87</sup> The Prime Minister Office conducted the poll in FY1978, FY1981, FY1984, FY1987, and FY1990 in December 1978, in December 1981, in November 1984, in January 1988, and February, 1991, respectively.

<sup>88</sup> Berger, Thomas U., *Cultures of Antimilitarism: National Security in Germany and Japan*, Johns Hopkins University Press, 1998.

<sup>89</sup> See p.144.

for securing national independence and pride. As the 1980s progressed, however, and tensions between the United States and Japan over trade and other economic issues grew, nationalist Right-idealist commentators such as Eto Jun and Ishihara Shintaro increasingly focused on Japan's economic and technological prowess while downplaying the military security issue.” (p.146)

According to Berger's view, the Rightist started to seek the source of national pride less in military power and more in economic power, reflecting the rapid growth of the Japanese economy and the decline of the U.S. and the Soviet's economy in the 1980s, in spite of their large military capabilities. This change in where to look for national pride is different from the change in fear of a war or insecurity, although both cause the change of utility function in terms of the two variables, security and non-armament goods. However, the Rightists' view could not become the mainstream, and as a result did not have, at least direct, impact on policymaking and policymakers.

### c. Early 1990s

Preference for security as compared to that for non-armament goods decreased, although the degree of decrease may not be as large as that in the U.S.

First, the “Basic Policy on Defense Planning in and after FY1991,” based on which the government made the Mid-Term Defense Program (FY1991-95) in December 1990, explained the change in international situation in early 1990s as follows:<sup>90</sup>

3. ... While the situation in the Asian-Pacific region is more complicated than that in Europe, the former, being inevitably affected by the changes in U.S.-Soviet relations, has begun witnessing positive movements towards relaxation of tension. Although the situation on the Korean Peninsula still continues to be fluid, such new developments have taken place, as the establishment of diplomatic relation between the Republic of Korea and the Soviet Union. Furthermore, relations among the United States, Soviet Union, China and Japan have become even more important to peace and stability in this region. ...
- As outlined above, the international situation is shifting towards a favorable direction as a whole. Military balance including nuclear deterrent power, and such efforts as stabilizing international relations at all levels, have further reduced the feasibility of a full-scale military clash between East and West or of a major conflict possibly leading to such a clash.

This is sharply different from the perception on the international situation by the Japanese government in late 1989 and early 1990, as I can see from the tone in the 1990 white paper on defense. The defense white paper of 1990 stated in the summary of international situation that:<sup>91</sup>

2. The United States and the Soviet Union still remain the superpowers, although they began to reorganize their armed forces and to cut military expenditures. In the near future there will be no fundamental change in the international military situation where the military power of the United States and the Soviet Union takes the lead.

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<sup>90</sup> “Basic Policy on Defense Planning in and after FY1991” was decided by the Security Council of Japan and the Cabinet on December 19, 1990 (Japan Defense Agency, *Defense of Japan 1991*, p.176-177). The Mid-Term Defense Program (FY1991-1995) was decided by the Security Council of Japan and the Cabinet on December 20, 1990.

<sup>91</sup> Japan Defense Agency, *Defense of Japan 1990*, p.3.

3. Compared with Europe, the situation around Japan is complicated. The situation is unstable and fluid as exemplified by the cases of the Korean Peninsula and Cambodia. The presence of massive Far Eastern Soviet forces makes the military situation tense around Japan.

Second, the answer “Yes” was 22.3%, “Yes, or anything” was 33.1%, and “No” was 31.3% on the question on the risk of Japan being involved in a war in February 1991 poll. This was not statistically different from the poll in January 1988, where the proportions of answers were 21.5%, 32.1%, and 31.3% respectively.<sup>92</sup> How to interpret the result of the poll in 1991, which was conducted between January 31 and February 10, two to three weeks later than the beginning of the “Desert Storm” operation in Iraq and Kuwait in January 17? On one hand, the end of the Cold War and ease of tension in Europe would work so as to reduce the proportion of the answer “Yes” or “Yes, or anything.” On the other hand, the start of the “Desert Storm” and the discussion on how Japan would contribute to the operation including the dispatch of the Self Defense Forces would work so as to increase the proportion of answer “Yes” or “Yes, if anything.” Although the result of the poll is hard to interpret, it would be possible to argue that the statistically same results in 1987 and 1991 in spite of the fact that the war in Iraq affected the poll in 1991<sup>93</sup> means the proportion of the public who thinks that Japan is less likely to be entrapped in a war would have increased if the poll was not conducted soon after the start of the “Desert Storm.”

Third, I look at the discussion on “peace dividend” in Japan. In the U.S., there was discussion of “peace dividend,”<sup>94</sup> that is, discussion on the reduction of defense budget and reallocation of reduced defense budget on other civilian areas, either by increasing non-military government spending or returning to the private sector. I can see one type of view in Japan in the speech by the chairman of the Japan Association of Corporate Executives (JACE) (*Keizai Doyukai*), Ishihara Takashi, former president of Nissan Co. He stated in the new year statement of the JACE in 1991 titled “Challenge for Reform” that “Japan has been receiving the ‘peace dividend’ so far. Japan will have to shoulder the ‘burden for peace’ from now on. Japan should start discussion on revision of the Constitution or the Self Defense Forces Law, from a long term and international standpoint.”<sup>95</sup> I

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<sup>92</sup> The 95% confidence intervals assuming a simple random sampling were 20.5%-24.1%, 31.1%-35.1%, and 29.3%-33.3% respectively for the FY1990 poll. The sample size of the FY1990 poll was 2,156. <http://www8.cao.go.jp/survey/y-index.html>

<sup>93</sup> The result of the same question in the poll in 1993 was 19.2%, 28.7% and 35.2% respectively. This result was statistically different from the result of the poll in February 1991 and shows that the proportion of the people who thinks that Japan is less likely to be entrapped in a war increased. Assuming that this change of the perception as a result of the end of the Cold War should have taken place in 1991 poll in the same degree, this suggests that there was an effect of the Gulf Crisis on the result of 1991 poll.

<sup>94</sup> For example, “The Peace Dividend” by Daniel Patrick Moynihan, *The New York Review of Books*, Volume 37, Number 11, June 28, 1990.

<sup>95</sup> Asahi Shimbun, “Discussion on the Revision of the Constitution Necessary,” January 4, 1991. <http://nippon.zaidan.info/seikabutsu/2002/01252/contents/048.htm>

can see another type of view in Japan in the remark by Prime Minister Miyazawa in 1992. He stated in the Budget Committee of the House of Representatives in 1992 that:<sup>96</sup>

The defense policy of Japan is based on the National Defense Program Outline in 1976, which states that defense buildup of Japan is limited to minimal and basic capabilities and not for confronting with military enemies.... We surely understand the fundamental change in international situation now. However, as the NDPO states, Japan's defense policy is different from the U.S. defense policy and the defense buildup plan does not necessarily respond immediately to the change in international situation.

Both types of views stated that the impact of the change in international situation on reallocation of money from defense to other civilian areas would be smaller compared to the U.S.

d. Mid/late 1990s

Preference for security was up in the mid and late 1990s. There were various kinds of incidents during the 1990s that may have changed the people's perception on safety of Japan. Political scientist Michael Green pointed out in his 2001 book on Japanese foreign policy that "The Japanese body politic is far more sensitive to external security threats than even during height of the Cold War. This reflects the external shocks of the 1995 Chinese nuclear tests, the 1996 Taiwan Straits crisis, the 1998 North Korean Taepodong missile launch, as well as uncertainties about Japan's own economic future." (pp.6-7)<sup>97</sup> Also there were the Sarin gas attack in Tokyo-subway by the Aum Shinri-kyo cult group and the Hanshin-Awaji-Kobe Earthquake both in January 1995. Those incidents and the SDF's rescuing activities after the earthquake in Kobe and in sarin gas attack in Tokyo increased the awareness of both insecurity and utility of defense forces for coping with a catastrophic emergency.<sup>98</sup>

The new National Defense Program Outline (NDPO) was decided in December 1995, which replaced the 1976 NDPO.<sup>99</sup> The following is the explanation on international situation in the document:

"1. With the end of the Cold War, which led to the demise of the structure of military confrontation between East and West, backed by overwhelming military capabilities, the possibility of a global armed conflict has become remote in today's international community. At

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<sup>96</sup> Budget Committee, House of Representatives, February 3, 1992, No.67, Prime Minister Miyazawa Kiichi. I translated from Japanese to English.

<sup>97</sup> Michael J. Green, *Japan's Reluctant Realism: Foreign Policy Challenges in an Era of Uncertain Power*, A Council on Foreign Relations Book, 2001. pp.6-7.

<sup>98</sup> The Article by Kawakami Naotaka argues that "[T]he three major security crises in the last decade in Japan- the response to the Gulf War, the earthquake in Kobe, and the Sarin chemical attack on Tokyo subway lines- provided the major turning points of Japanese security policy of the post cold war era." (Kawakami Naotaka, Center on Japanese Economy and Business, Columbia Business School, January 2002, "The Impact of the Post Cold War Crises on the Political Economy of Japan: How the Gulf War, the Kobe earthquake, the Sarin chemical attack and the terrorist attack on September 11, 2001 have changed Japan," *Occasional Paper series*.)

<sup>99</sup> National Defense Program Outline in and after FY 1996 (Adopted by the Security Council and by the Cabinet on November 28, 1995)

the same time, various unresolved territorial issues remain, and confrontations rooted in religious and ethnic differences have emerged more prominently. Complicated and diverse regional conflicts have been taking place. Furthermore, new kinds of dangers, such as the proliferation of weapons of mass destruction including nuclear arms, and of missiles, are on the increase. Thus, unpredictability and uncertainty persist in the international community.

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3. In the surrounding regions of Japan, the end of the Cold War and the collapse of the Soviet Union have brought about a reduction of the military force level and changes in the military posture in Far East Russia. At the same time, there still remain large-scale military capabilities including nuclear arsenals and many countries in the region are expanding or modernizing their military capabilities mainly against the background of their economic development. There remain uncertainty and unpredictability, such as continued tensions on the Korean Peninsula, and a stable security environment has not been fully established. Under these circumstances, the possibility of a situation in this region, which could seriously affect the security of Japan, cannot be excluded.

Compared with the description on international situation in the “Basic Policy on Defense Planning in and after FY1991” based on which the government made the Mid-Term Defense Program (FY1991-FY1995) (p.140), those explanation were the same in that both emphasized the more complicated situation in East Asia, but different in that the 1995 explanation was more cautious by stressing more the unstable and unpredictable nature of the situation in East Asia.

How about the late 1990s compared to mid 1990s? The new Mid-Term Defense Program (FY2001 – FY2005) was decided in December 2000. The following was the explanation on international situation from the statement by the Chief Cabinet Secretary on the decision of the Program:<sup>100</sup>

The overall international situation is that the possibility of a global armed conflict has become remote. At the same time, there exist various uncertain factors such as occurrence of complicated and diverse regional conflicts, or proliferation of weapons of mass destruction. Efforts are underway in various areas to further stabilize international relations.

In the Asia-Pacific region, there remain uncertainty and unpredictability, such as continued tensions on the Korean Peninsula, and a stable security environment has not been fully established. ...

Recognizing the circumstances as such, there has been no change in the international situation such that it necessitates the reconsideration on the basic framework on the role of military forces and contents of military equipment that our country should possess, stipulated in the 1996 National Defense Program Outline.

The explanation on international situation in this document was not different from that in the 1995 National Defense Program Outline.

Second, the answer “yes” increased and the answer “no” decreased in both the polls in FY1996 and FY1999 (Figure 6.18).<sup>101</sup> The poll in FY1996 was conducted in February 1997. Before

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<sup>100</sup> Fukuda Yasuo, On the Mid-Term Defense Program (FY2001-FY2005), December 15, 2000. [www.kantei.go.jp/jp/morisouri/tyoukan/2000/1215tyoukan.html](http://www.kantei.go.jp/jp/morisouri/tyoukan/2000/1215tyoukan.html)

<sup>101</sup> The sample size were 2082 in FY1993 poll, 2114 in FY1996 poll and 3461 in FY1999 poll. The proportion of “yes” were 48%, 55%, and 65%, and the proportion of “no” were 35%, 31%, and 23%

this poll, there were the Hanshin-Awaji-Kobe earthquake and the sarin attack in Tokyo subways both in January 1995, the French nuclear weapons test in January 1996, tensions between China and Taiwan in March 1996, China's nuclear weapons test in July 1996, and North Korean special forces' intrusion to South Korea in September 1996. The poll in FY1999 was conducted in January 2000. Before the poll, there were intrusions of North Korean ships into Japan's territorial sea in March 1999, and North Korea's missile test which flew over Japan in August 1998.

## B. Security and domestic autonomy

I examine what kind of arguments political Rights, Leftists or Centrists made on the security treaty and defense policy, whether the Japanese people became more nationalistic, and what kind of argument was a mainstream and popular among the population in each period.

### a. Late 1970s

I presume that there was not much change on this in the late 1970s. The argument that Japan should increase security without losing its autonomy is made by the political Right. The argument of the political Right became popular around 1980 in Japan, but it did not become the mainstream, in other words, it did not change the mind of policymakers. There was a bestseller entitled (in Japanese) "Japan, Be a State: Choice for Nuclear Weapon," which sociologist Shimizu Ikutaro wrote in 1980,<sup>102</sup> "calling for the revision of Article 9, increased veneration of the emperor, dissolution of the Mutual Security Treaty, and the acquisition of nuclear weapons."<sup>103</sup> Thomas Berger described in his book on anti-militarism in Japan that "whereas until the late 1970s the main battle lines had been drawn between Left-idealists and Centrists, around 1980 the central debate became one between Centrists and Right-idealists" but "at the same time, they [Rights-idealists] did not replace Centrists like Inoki Masamichi and Kosaka Masataka as leading advisors to the government, nor did they create influential defense-policy think tanks."<sup>104</sup>

### b. Late 1980s

I presume that there was no change in Japan's preference between security and domestic autonomy. The national bestseller in 1990 was "Japan That Can Say No: The New U.S.-Japan Relation Card" written by Ishihara Shintaro and Morita Akio. They published this book in 1989, which became the 2nd place in Japan's bestseller book list in 1990.<sup>105</sup> The book reflected the social trend in the late 1980s including Japan's economic growth, stagnation of the U.S. economy, and

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respectively. The difference of the proportion "yes" and "no" between FY1994 and FY1996, and between FY1996 and FY1999 were all statistically significant with 99% confidence.

<sup>102</sup> Shimizu, Ikutaro. *Nihon Yo Kokkei Tare – Kaku no Sentaku*, September 1980, Bungei Shunju Sha.

<sup>103</sup> Berger, Thomas U., p.156.

<sup>104</sup> Berger, Thomas U., p.156 and p.157.

<sup>105</sup> The publisher, Kobunsha, has sold 1.25 million copies of this book so far.

<http://www.sensenfukoku.net/nbest/nbestm.html>

Japan-bashing by the U.S. Congress members. In the co-existence of confidence and frustration among the Japanese under this situation, this book functioned as a catharsis, in other words, I presume that the readers of the book did not necessarily agree with all of the authors' arguments on rational grounds.<sup>106</sup> Ishihara explained in this book specifically on the U.S.-Japan security alliance as follows:

11 Japan Should Live in Harmony with Asia

Japan Is Not Getting a Free Ride on the U.S.-Japan Security Pact

The time has come for Japan to tell the U.S. that we do not need American protection. Japan will protect itself with its own power and wisdom. This will require a strong commitment and will on our part. We can do it as long as there is a national consensus to do so. There may be some political difficulties at this point in forming this consensus. From both a financial and technological point of view, there are no barriers to accomplishing this goal in the near future. We can develop a more effective and efficient defense capability at less than we are paying today.

In reality, the abrupt cancellation of the security treaty is not feasible. But it is a diplomatic option and a powerful card. Outright refusal to consider such an option means giving up a valuable diplomatic card. The fact remains that we do not necessarily need the security treaty. The security system which will meet Japanese needs can be built by Japan alone.<sup>107</sup>

Ishihara's argument has two meaning in the model on alliance contributions. One is on alliance versus armament (=own defense efforts) choice. His argument on this is own defense using Japan's high technology is more cost effective. Second is on security versus autonomy choice. His position on this was that autonomy became more important. His book became a bestseller, but Ishihara and Morita's argument, or argument by the Rightists or military hawks, was still not the mainstream as I pointed out above. According to Michael Green in his book on Japan's defense policy, the Defense "zoku"'s power increased during the 1980s, that is, "this group of politicians emerged on the LDP stage in 1981, following a pattern established by other Diet members in the areas of agriculture, commerce, and construction in the previous decade. In contrast to the prodefense hawks in the past, the defense zoku of the 1980s moved the defense debate closer to the mainstream of thinking in the LDP; hence the isolation of Ishihara." (p.120).

#### c. Early 1990s

I look at two articles that analyzed policy discussions in Japan during the Gulf Crisis.<sup>108</sup> Considering from the discussion based on those two articles, there was no clear evidence that

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<sup>106</sup> Catharsis, used as a psychological treatment of frustrated patients, is "a technique used to relieve tension and anxiety by bringing repressed feelings and fears to consciousness", definition by dictionary.com, <http://dictionary.reference.com/search?q=catharsis>

<sup>107</sup> Ishihara, Shintaro and Mirita Akio, *No To Ieru Nihon: Shin Nichibei Kankei No Hosaku*, (Japan That Can Say No: The New Japan-U.S. Relations Card), Kobunsha, Chapter 11. Translation by the person whose name is "Rufus" (revised in the second paragraph by me) <http://home.earthlink.net/~rufus/japanno/part11.html>

<sup>108</sup> See p.164 on U.S. criticisms during the Gulf Crisis.



showed increase or decrease in the preference for security as contrasted to that for domestic autonomy in this period.<sup>109</sup>

First one is the article titled “Tokyo’s Policy Responses during the Gulf Crisis” by Purrington in 1991.<sup>110</sup> According to the author, there were three types of views on the course the government should take in the crisis: (1) close cooperation with the U.S.; (2) an autonomous route; or (3) a U.N.-centered role. The first type of view stressed the importance of U.S.-Japan relations and “argued for close cooperation with the U.S. drawing on the lessons of history, or for the need to maintain international order in a post-hegemonic world.” The second type of view was “critical of how the government meekly followed U.S. diplomacy, and argued that Japan should take advantage of the fact that it had never dirtied its hands in the Middle East.” The third type of view was “generally opposed to cooperation with the U.S.-led multinational forces, and argued for safeguarding the Constitution and resolving the crisis through the United Nations.” (p.320) According to the article, the opinions of major newspaper<sup>111</sup> and the opinions between and within political parties were divided in terms of those three types of views. For example, in the Liberal Democratic Party, some members such as former Chief Cabinet Secretary Gotoda or former Prime Minister Fukuda opposed to the dispatch of SDF to the Persian Gulf, while the LDP members in the government submitted to the Diet the bill to send the SDF to the Persian Gulf. If the proportion of the second type of view increases, I could say that the preference for security as compared to domestic autonomy decreases, in other words, more increase of “security” becomes necessary to keep the utility level constant when one unit of “domestic autonomy” decreases.<sup>112</sup> However, there was no mention in the article on which view were gaining more support compared to, say, 1980s or 1970s.

Second article was “Contending Paradigms of Japan’s International Role: Elite Views of the Persian Gulf Crisis” by Brown in 1991.<sup>113</sup> According to this article, there were five schools of thoughts on how the Japanese government should respond to the Gulf Crisis: Minimalists, Realists, Moralists, Utilitarians, and Bilateralists. The Minimalists “urged Japanese autonomy from the United States and minimal participation in the U.S.-led effort.” The Realists “argued that the Gulf crisis

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<sup>109</sup> According to Thomas Berger, “in Japan, there has been an even greater degree of continuity in the intellectual debate over defense,” comparing the policy debate during the Gulf Crisis between Germany and Japan (Berger, p.181).

<sup>110</sup> Courtney Purrington; A.K., “Tokyo’s Policy Responses during the Gulf Crisis”, *Asian Survey*, Volume 31, Issue 4, April 1991, pp.307-323.

<sup>111</sup> The editorial opinions of major newspapers may be classified better by using criteria that Japan’s contribution is military or non-military rather than by using the author’s 3 types of views, since all supported provision of contribution to the international efforts to recover the Kuwaiti sovereignty, whether it is money or dispatch of military forces.

<sup>112</sup> In the model, domestic autonomy itself does not affect the “security” level in the utility function, by assumption. The endowment of “autonomy” can increase “security” only by allocating part of it to “alliance autonomy.”

<sup>113</sup> Brown, Eugene, “Contending Paradigms of Japan’s International Role: Elite Views of the Persian Gulf Crisis,” *Journal of Northeast Asian Studies*, Spring 1991, p.3-18.

required Japan to wield greater international clout due to the imperatives of the state system.” The Moralists “advocated a policy of activism grounded in ideological precept.” The Utilitarians “say the crisis as an occasion for Japan to enhance its international stature.” The Bilateralists “urged robust Japanese efforts in order to strengthen the key relationship with the United States.”<sup>114</sup> The author explained that the “Minimalist”, which I think is related to the concept, were “exceedingly heterogeneous lot, embracing leftists, pacifists, isolationists, right-wing nationalists, and advocates of what might be called ‘real-economic,’ or preoccupation with Japan’s economic self-interest”(p.5). The author did not mention the change of those views.<sup>115</sup>

#### d. Mid/late 1990s

Opinions and share of people to seek more autonomy increased, but the consciousness to security also increased in this period, as I discussed. So I presume that there was 1) no change in the mid 1990s, and 2) no change in the late 1990s.

Michael Green (2001)<sup>116</sup> explained the discussion in Japan on “autonomy” and alliance during the 1990s. He argued that “autonomy” became more important. He introduced a couple of opinions to argue so. According to Mainichi Shimbun’s Kawachi Takashi, “since 1997 Japanese newspaper and magazines have carried one article after another calling for greater independence and distance from the United States. The authors are predominantly conservative thinkers, not the traditional left-wing types that dominated mainstream anti-American thinking in the past.” (p.22) Asahi Shimbun’s Honda Masaru “noted in his feature story on the fortieth anniversary of the U.S. Japan alliance in January 2000, for example, that government officials now stress ‘autonomy’ as major theme in security relations with the United States.” (p.22) As an example of opinions of opposition parties, “Hatoyama Yukio won his party’s presidency in 1999 with a platform calling for ‘autonomous defense,’ making this a prominent theme for the two major parties in Japan for the first time ever.”

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<sup>114</sup> This classification is understandable but ambiguous, because it is not clear based on what criteria the author classified his observation on the discussion in Japan in that period. For example, the author did not use “United Nations” criteria as Purrighton’s article but used “ideological precept” criteria. The author did not explain in the article why he did so. Also those 5 types are not mutually excludable and overlapping. For example, the view of the “Bilateralist” may be based on “Realist” thinking that it is best to bandwagon on the strong military power, the U.S. in an anarchy world.

<sup>115</sup> The author cited the result of the Yomiuri Shimbun’s opinion poll, conducted during the debate on Gulf policy in 1990 and 1991. The question was “if this Gulf crisis is to be used as a lesson, on what fields ought our country place emphasis?” The most popular answer was the establishment of “Japan’s own autonomous diplomacy line so as to become able to contribute to the world in non-military fields.” (43.3% in September 1990, and 44.2% in December 1990), and the least popular answer was “to revise the constitution and to make the overseas dispatch of the SDF possible” (8% in September 1990, and 8.9% in December 1990). But it is not possible to know whether this showed a change from earlier period.

Thomas Berger pointed out continuation of anti-militarist Pacifist sentiment. He said that “in Japan, widespread antimilitary sentiments – both on the popular and elite levels – prevented the Kaifu government from dispatching even small, nonmilitary support teams to the Persian Gulf.” (p.2, Berger, *Culture of Antimilitarism: National Security in Germany and Japan*, p.2).

<sup>116</sup> Michael Green, 2001.

(p.23) But, beyond those anecdotal evidences, he did not use any hard data to show the change of the Japanese peoples' preference in the "security versus autonomy" axis.

Did "autonomy" become more important to Japanese people to the degree to prefer less of the alliance relationship with the U.S.? There were opinions in Japan that wanted more "autonomy" not only during the mid and late 1990s but also in the 1980s and before, as I explained. If Green's argument that mainstream politicians different from politician or social critics in the left wing or right wing hawks started to argue for more autonomy for the first time, it might be possible to argue that autonomy became more important in the 1990s. But, as to the degree of the change, comparison on an anecdotal basis gives me an inconclusive answer. It is not difficult to find opinions in the 1970s or 1980s among the politicians in the mainstream of the Liberal Democratic Party that emphasized the importance of autonomy.<sup>117</sup>

#### 6-1-8. Security function (with two arguments: armaments and alliance)

Was there any change in the productivity of alliance for increasing security, compared to armaments? In order to discuss this question, I need to know what functions the U.S.-Japan alliance plays for increasing the security of Japan. One book on military alliances explains the purpose of alliances is "to balance against the most serious threat" (which does not necessarily come from the most powerful states).<sup>118</sup>

##### a. Late 1970s

The most serious threat for Japan in this period came from the Soviet Union. So, I consider that the two main functions of the U.S.-Japan alliance were to cope with the threat of the Soviet Union's nuclear weapons and the threat of the Soviet Union's large-scale conventional forces, especially conventional forces in the Far East. The Japanese government explained the utility of the U.S.-Japan alliance for Japan according to this line as follows:

In order to secure peace and independence of our country, it would be necessary to build a watertight system of defense strong enough to cope with every eventuality, ranging from a war involving the use of nuclear weapons and different types of invasion to threats or intimidation backed up by military force, and strong enough to prevent such event to take place. Considering this necessity, Japan depends on the U.S.-Japan security arrangements with respect to the defense capabilities which Japan does not possess including the deterrence

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<sup>117</sup> For example, Nakasone Yasuhiro, when he became the director general of the Defense Agency in 1970, "insisted on a new U.S.-Japan relationship based on the principle of 'autonomous defense in the front and the alliance in the rear,'" and he "strongly advocated an independently armed Japan." Samuels, Richard J., *Rich Nation, Strong Army: National Security and the Technological Transformation of Japan*, Cornell University Press, 1994, pp.172-173.

<sup>118</sup> Walt, Stephen M., *The Origins of Alliances*, Cornell University Press, 1987. pp.263-265. The author defended balance of threats theory as opposed to balance of power theory as the cause of alliance formation in this book.

capability to nuclear threat, and the capability to cope with large-scale invasion using conventional forces.<sup>119</sup>

Since the Soviet Union increased its quantity and quality of both nuclear and conventional weapons in the 1970s, “alliance” became more efficient to produce “security” than “armaments” in the security function during this period. In other words, increase of the Soviet Union’s military power increased the necessity of the kind of deterrence which the alliance with the U.S. rather than buildup of Japan’s military forces produced more efficiently.

First, as I explained earlier, the Soviet Union “not only increased the quantity of its nuclear weaponry, but also achieved remarkable improvements in targeting accuracy, and reinforced its highly invulnerable submarine-launched ballistic missile (SLBM) force.”<sup>120</sup> Figure 6.19 shows that the Soviet Union increased the quantity of ICBMs and SLBMs in the 1970s.<sup>121</sup> Second, the Soviet Union increased also the size and quality of its conventional weapons during the 1970s. As I cited earlier from the white paper on defense, “The Soviet Union ... has succeeded in establishing a naval presence in oceans around the world, and in obtaining the capability of projecting military forces and providing emergency military assistance to distant areas” (Figure 6.20).<sup>122</sup>

From those changes and other qualitative changes, the Japanese government evaluated in 1980 that “the Soviet Union’s military forces in the Far East region has been increasing the army, navy, air force and strategic force during the past 10 years in both quantity and quality.”<sup>123</sup>

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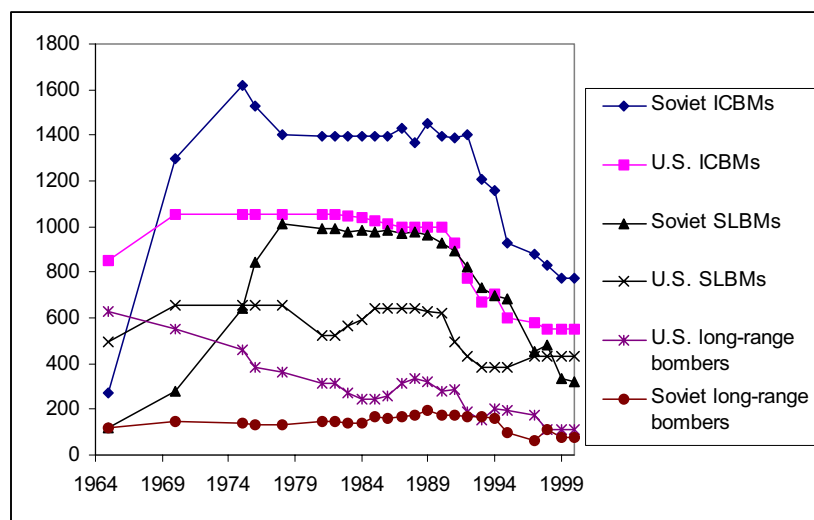
<sup>119</sup> Japan Defense Agency, *Defense of Japan*, 1979, Part II Chapter 1-3, “On U.S.-Japan Security Arrangements.”

<sup>120</sup> Japan Defense Agency, 1979, Part I Chapter 1, “On International Situation.”

<sup>121</sup> The U.S. and the Soviet Union signed SALT II in June 8, 1979. As the official name of the treaty, “Treaty between the United States of America and the Union of Soviet Socialist Republics on the Limitation of Strategic Offensive Arms, together with Agreed Statements and Common Understandings regarding the Treaty,” suggests, this treaty was for limiting the production of strategic nuclear weapons. For example, the treaty obligates the parties “to limit ICBM launchers, SLBM launchers, heavy bombers, and ASBMs to an aggregate number not to exceed 2,400.” (Article III). This is the reason why the increasing lines in Figure 6.19 became flat before and around 1980.

<sup>122</sup> Japan Defense Agency, *Defense of Japan*, 1979, p.3. In the Far East region between 1977 and 1980, the number of army divisions changed from “over 30” to 34, and the number of army troops from 300 thousands to 350 thousands. The number of surface force ships changed from 515 to 785, and its tonnage from 1.25 million tons to 1.52 million tons. The number of air force fighters changed from 1380 to 1450, and bombers from 510 to 450 (Japan Defense Agency, *Defense of Japan* 1977, reference 6. *Defense of Japan* 1980, Part 1, Chapter 4).

<sup>123</sup> Japan Defense Agency, 1980, Part 1, Chapter 4.



Source: Japan Defense Agency, *Defense of Japan*, various years. The original data are from *Military Balance*, of various years, International Institute for Strategic Studies.

Figure 6.19 – Changes in strategic nuclear capabilities of the U.S. and the Soviet Union (Russia) (1965-2000)

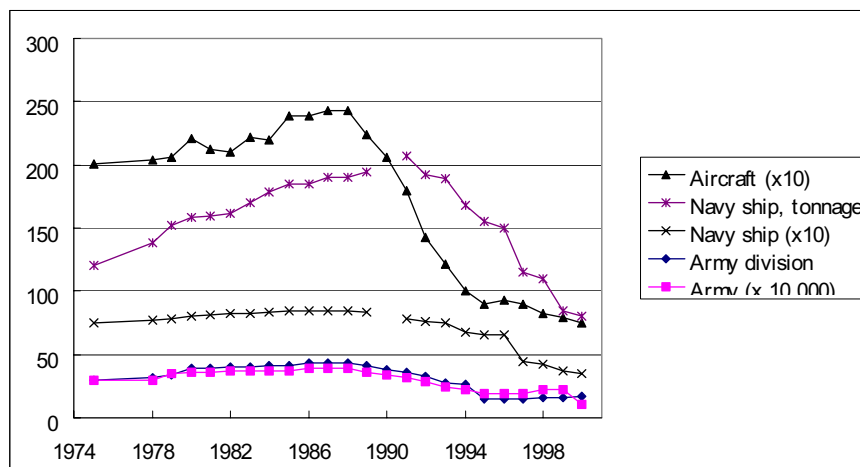
#### b. Late 1980s

In this period, I presume that there was no change in the security function.<sup>124</sup> First, Figure 6.19 shows that there was little change in the size of nuclear weapons including ICBM, SLBM and long-range bombers in both the Soviet Union and the U.S., in the mid to late 1980s. There was no change in the balance of nuclear weapons between the U.S. and the Soviet Union.<sup>125</sup>

Second, there was “no discernable change” in the Soviet Union’s conventional military forces (see p.139). The white paper did not say explicitly that the threat from the Soviet Union’s conventional weapons increased or decreased (decrease of aircraft and increase of navy ship tonnage in Figure 6.20).

<sup>124</sup> Ishihara Shintaro and Morita Akio’s book in 1989, *Japan That Can Say No: The New U.S.-Japan Relation Card* argues that Japan’s own defense efforts became more cost efficient than maintaining the alliance with the U.S., as I explained earlier. If this argument is correct, marginal rate of substitution between “armament” and “alliance” would increase, since “armament” becomes more efficient to produce “security”. However, the authors did not provide any data to prove cost-efficiency of Japan’s indigenous defense efforts.

<sup>125</sup> After the conclusion of the INF treaty in December 1987, the number of Intermediate Range Ballistic Missile (IRBM) and Medium Range Ballistic Missile (MRBM) decreased in both the Soviet Union and the U.S. The Soviet Union possessed 484 IRBM/MRBMs and the U.S. possessed 224 IRBM/MRBMs in 1987 (*Military Balance 1987-88*). The Soviet Union possessed 383 IRBM/MRBMs and the U.S. possessed 207 IRBM/MRBMs in 1989 (*Military Balance 1989-90*).



Source: Japan Defense Agency, *Defense of Japan*, various years; International Institute for Strategic Studies *Military Balance*, various years

Figure 6.20 - Change in size of military forces of the Soviet Union (Russia) in the Far East (1975-2000)

### c. Early 1990s

I presume that productivity of armament and alliance (still) did not show change in this period (up to 1991), in both relative and absolute sense. First, in order to examine whether the functions of the U.S.-Japan security alliance as the Japanese government sees it changed or not, I look at whether the explanation of the white paper on defense of the Japanese government on the functions of the U.S.-Japan security alliance changed or not. According to the white paper 1991, there are four functions of the security alliance, including 1. direct contribution to Japan's security, 2. contribution to peace and security of the Far East, 3. core of Japan-U.S. relations, and 4. broad basis of foreign relations of Japan.<sup>126</sup> The first and second functions correspond to Article V (defense of Japan) and Article VI (maintenance of peace and security of the Far East) of the security treaty respectively (see p. 50). As to the third and fourth functions, the white paper explained briefly that the Japan-U.S. alliance relationship "constitutes the core of the Japan-U.S. relationship, the most important bilateral relationship for Japan," and "constitutes the basis of Japan's diplomacy." The white papers from 1991 to 1995 continued to use this explanation on the functions of the alliance, which the 1991 white paper first used. However, in the white paper 1989, there was a mention on functions based on Article V and Article VI, but there was no mention on cooperation in non-security areas based on the Japan-U.S. security arrangements.<sup>127</sup> I assume that this difference does not make any difference in

<sup>126</sup> Japan Defense Agency, *Defense of Japan* 1991, Significance of Japan-U.S. security arrangements, pp.59-61.

<sup>127</sup> Japan Defense Agency, *Defense of Japan* 1989, Japan-U.S. security arrangements, p.85. The white paper 1990 explained that there were three functions in the alliance, that is, first, the function based on Article V of the security treaty, second, the function based on Article VI, and third, provision of friendly and

the relationship between alliance and security, since the third and fourth functions does not affect directly “security,” and the basic functions of the security alliance is the same, direct defense of Japan based on Article V of the security treaty and “maintenance of international peace and security in the Far East” based on Article VI.

Second, I look at the Soviet Union’s force - nuclear weapons and conventional weapons, since first, the basic functions of the alliance had not changed as I explained above, second, the roles of the alliance for playing the functions was to provide “defense capabilities which Japan does not possess including the deterrence capability to nuclear threat, and the capability to cope with large-scale invasion using conventional forces” (p.116), and third, the largest military threat in this period was still the Soviet Union’s conventional forces. There was not much change in the size of nuclear weapons in the early 1990s. The Japanese government’s perception on the Soviet Union’s forces was that “The Soviet forces in the Far East, which had been increased in both qualitative and quantitative terms until recent years, has begun to display a tendency towards numerical reduction, while still continuing to improve their quality.” There was no mention on the net judgment on quantitative decrease and qualitative increase, which suggested that there was not much change overall.

d. Mid/late 1990s

I argue that alliance’s productivity increased in this period because of new roles given to the alliance (=increased room for alliance to increase security) and the continuing role of deterring nuclear and conventional weapons on a large scale.

It would be necessary to know what happened to the Soviet Union’s military forces, or Russian military forces in the Far East region. The followings are the excerpts from Japan’s defense white paper on the evaluation of Russian military forces in the Far East. They explained that both the capabilities of Russia’s nuclear forces and conventional forces in the Far East region were decreasing during the 1990s (Figure 6.19 and 6.20), but their large size along with uncertainty on their future would affect negatively the security of Japan.

[1995 defense white paper]

The size of Russian military forces in the Far East has been decreasing since 1990. The activities of the military forces are kept at a low level. We analyze that the military readiness of the forces has been decreasing. .... The pace of modernization of weapons has become moderate. However, large scale military forces are still deployed in the Far East. The future of Russian military forces is unclear, and the future of the Russian military forces in the Far East is also uncertain. We perceive that the existence of the Russian military forces in the Far East is still the instability factor to the safety of this region.

[2000 defense white paper]

The size of the Russian military forces in the Far East has been decreasing since 1990 and their military readiness also has been decreasing, according to our analysis. .... However,

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cooperative relations between the U.S. and Japan in a wide range of areas such as politics, economics, and society (Japan Defense Agency, *Defense of Japan* 1990, Significance and roles of Japan-U.S. security arrangements, pp.95-96).

compared to Europe, we have not seen a drastic change in the basic security structure of this region, and there continues to be a large scale military capability in this region including nuclear weapons. The future of the Russian military forces in the Far East is not necessarily clear, considering the fluid political and economic situations in Russia. We need to continue to take a very close look at them.

Since Japan's military forces do not develop or possess nuclear weapons, the importance of Japan's defense forces relative to the alliance is still zero in terms of deterrence of nuclear weapons, assuming that only nuclear capability can deter the use of nuclear weapons. With respect to Russia's conventional forces in the Far East, there would be a decrease of the alliance's utility for the production of security, relative to own defense forces, because of 1) the decrease of the degree with which the alliance reduces the military threats coming from the Russia's conventional military forces in the Far East, and 2) the increase of the degree with which Japan's defense forces can now cope with the smaller military threats coming from Russia's conventional military forces in the Far East.

In addition to the change in Russia's military capability, there are three new issues to consider in the 1990s. First issue is whether there were changes in nuclear power capabilities of East Asian countries other than Russia. According to the data in *Military Balance*, China's capability was increasing during the 1990s (Table 6.2), though still limited. There were multiple nuclear-tests by China, before the NPT was extended indefinitely in 1995 and before the Comprehensive Test Ban Treaty (CTBT) went into effect in 1996.<sup>128</sup>

Table 6.2 – Nuclear weapons in China

	ICBM	IRBM	SLBM
1990	8 2 CSS-4 (DF-5) 6 CSS-3 (DF-4)	60 60 CSS-2 (DF-3)	1 <i>Xia</i> SSBN with 12 CSS-N-3 (JL-1)
1995	Some 17 7 CSS-4 (DF-5) 10+ CSS-3 (DF-4)	70+ 60+ CSS-2 (DF-3) 10 CSS-5 (DF-21)	1 <i>Xia</i> SSBN with 12 CSS-N-3 (JL-1)
2000	20+ 20+ CSS-4 (DF-5A)	100+ 30+ CSS-2 (DF-3A) 20+ CSS-3 (DF-4) 50+ CSS-5 (DF-21)	1 <i>Xia</i> SSBN with 12 CSS-N-3 (JL-1)

Source: Estimate of the capability of the China's Strategic Missile Forces in International Institute for Strategic Studies, *Military Balance*, 1990-91, 1995-96, and 2000-01

Second issue is North Korea: the nuclear suspicion of North Korea and the possibility of a military conflict on the Korean Peninsula, presumably larger than during the Cold War when North Korea was controlled by the Soviet Union. Stationing military forces in Japan makes possible the quick response of the U.S. forces in case of a military emergency on the Korean Peninsula. So, the

<sup>128</sup> China conducted tests of nuclear weapons in June 1994, October 1994, May 1995, August 1995, June 1996, and July 1996 (IISS, *Military Balance 1995-96*, p.169).



alliance relationship contributes more to the safety of the region, which contributes to the security of Japan, more than before and more than Japan's military forces on this regard.

Third issue is the redefinition or reaffirmation of the U.S.-Japan alliance ("Joint Declaration" by Hashimoto and Clinton) in April 1996 (see p.90 in Chapter 5). How did the redefinition of the alliance change the role of the alliance?<sup>129</sup> The Joint Declaration in 1996 "reaffirmed" the importance of the alliance for the stability of the region as follows:

Japan-U.S. Joint Declaration on Security – Alliance for the 21st Century, April 17, 1996  
“(The Regional Outlook)

4. The Prime Minister and the President underscored the importance of promoting stability in this region and dealing with the security challenges facing both countries.

In this regard, the Prime Minister and the President reiterated the significant value of the Alliance between Japan and the United States. They reaffirmed that the Japan-U.S. security relationship, based on the Treaty of Mutual Cooperation and Security between Japan and the United States of America, remains the cornerstone for achieving common security objectives, and for maintaining a stable and prosperous environment for the Asia-Pacific region as we enter the twenty-first century.”

Thus the U.S. and Japanese governments reaffirmed the continuing importance of the U.S.-Japan alliance as a tool for promoting the stability of the neighboring region, instead of deterring the specific military threats from the Soviet Union. The alliance shifted the focus from nuclear deterrence to more general stabilizer.<sup>130</sup> The alliance would have to prepare legally and operationally for emergencies in the neighboring region, in order to realize the full potential of this new role to increase the value of the alliance. In other words, return to investment in the alliance increased as a result of the reaffirmation.<sup>131</sup>

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<sup>129</sup> The Joint Declaration was based on the Joseph Nye's report (Nye Initiative) at the U.S. Department of Defense, the East Asian Strategic Review (EASR) in 1995. He looked for "a rationale needed to be articulated for the U.S.-Japan alliance and the U.S. military presence in East Asia that was not based on containing a specific enemy" (Deming, 2004, p.63). He argued that the U.S.-Japan alliance is like "oxygen" for the region, "that allowed the region to flourish by maintaining stability and avoiding a power vacuum." (Rust M. Deming, "The Changing American Government Perspectives on the Missions and Strategic Focus of the U.S.-Japan Alliance," pp.49-72, in *The Future of America's Alliances in Northeast Asia*, Brookings Institution Press, Asia-Pacific Research Center, Edited by Michael H. Armacost and Daniel L. Okimoto, 2004.)

<sup>130</sup> The National Defense Program Outline (NDPO) in 1978 mentioned the word "U.S.-Japan security arrangements" two times, while the NDPO in 1995, which was a successor to the 1976 NDPO, mentioned the same word 11 times. The NDPO in 1995 states on the significance of the alliance that "There remain uncertainty and unpredictability such as continued tensions on the Korean Peninsula, and a stable security environment has not been fully established. Under these circumstances, the possibility of the situation in this region which could seriously affect the security of Japan cannot be excluded. .... The close cooperative relationship between Japan and the United States, based on the Japan-U.S. Security Arrangements, will help to create a stable environment, ...., thus will continue to play a key role for the security of Japan, as well as the stability of the international community." (II. International Situation)

<sup>131</sup> As I explained, I used two judgment criteria for the situation from the late 1970s to the early 1990s. Do I need another criterion for the situation in the mid and late 1990s after the redefinition of the alliance? If so, the new criteria, adding to the two judgment criteria, would be, *assuming that* the alliance can better cope with instability factors in the region than Japan's military forces which is exclusively defense-oriented: 1) does the number of types of instability factors in the neighboring region increase or decrease?, 2) does the size of each instability factor in the neighboring region increase or decrease, in terms of its potential impact to the

#### 6-1-9 Alliance function (armaments and alliance autonomy [first two arguments])

In the alliance function,  $L=L(R, AA; \text{Sum}R, \text{Sum}AA)$ , is there any change in the derivative of the first and second argument? (L: alliance, R: own provision of armament, AA: own provision of alliance autonomy, SumR: sum of armament, SumAA: sum of alliance autonomy) I can think of the derivatives  $dL/dR$  and  $dL/dAA$  (both nonnegative) as the reciprocal of cost of alliance in terms of armament and the reciprocal of cost of alliance in terms of alliance autonomy. That is, how much armaments or alliance autonomy does a country need to provide to guarantee a membership of alliance and the full function of the alliance? In this sense, it is assumed that it is possible to threaten one member of the alliance with the possibility that it may be or will be excluded from receiving the benefit of the alliance if the member does not contribute enough.

I look at 1) pressure from the U.S. on Japan to ask more burden-sharing, 2) trade imbalance between the U.S. and Japan, and 3) the trend of the number of the proposed resolutions in the U.S. Congress related to Japan's economy and defense.<sup>132</sup>

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international situation?, and 3) does the set of instability factors in the neighboring region increase or decrease, when evaluating as a vector? How can I judge the situation in the 1990s based on those new criteria and the two prior criteria? It would be necessary to compare the (decreased) value of the alliance to deter the use of nuclear weapons and large-scale conventional weapons and the (increased) value of the alliance to provide stability in the neighboring region.

<sup>132</sup> I explain why the demand for more burden-sharing leads to increase of the derivatives of alliance function with respect to both armament and alliance autonomy. I explain using two conceptual models on the effect of demand for more burden-sharing on the relationship between alliance (L) and armament (R). The explanation here applies in the same way if the relationship is between alliance (L) and alliance autonomy (AA). In the first model, initial relationship between alliance (L) and armament (R) is:  $L=L_1(R)$ , and the relationship after the demand for more burden-sharing in armament increases is:  $L=L_2(R)$ . When the demand increases, I assume that a decision maker of a country which received the demand thinks that the level of "alliance" may decrease to  $(1-a)$  of the initial level ( $0 < a < 1$ ) with probability  $p$  ( $0 < p < 1$ ). With the probability  $(1-p)$ , the decision maker thinks that the level of the alliance is the same as before. I assume that  $a$  and  $p$  are both decreasing functions of  $R$ , since if the country contributes more, the demand should decrease.

$L=L_2(R)=[L_1(R) \text{ with probability } (1-p), (1-a) \times L_1(R) \text{ with probability } p]$

$da/dR < 0, dp/dR < 0$

In this case, the expected value of "alliance" is:

$E[L_2(R)]=(1-p) L_1(R)+p (1-a) L_1(R)$

In this formulation, did the derivative of alliance function with respect to armament increase or decrease after the demand increased? (see Figure 6.21). I calculate the change in the derivative below, using the expected value for the calculation of the derivative of the alliance function after the demand increased.

$$\begin{aligned} & \frac{dE[L_2(R)]}{dR} - \frac{dL_1(R)}{dR} \\ &= -\frac{dp}{dR} L_1(R) + (1-p) L_1'(R) + \frac{dp}{dR} (1-a) L_1(R) - p \frac{da}{dR} L_1(R) + p (1-a) L_1'(R) - L_1'(R) \\ &= -\frac{dp}{dR} a L_1(R) - p \frac{da}{dR} L_1(R) - p a L_1'(R) \\ &= -(p a L_1(R))' = -(p a)' L_1(R) + p a L_1'(R) \end{aligned}$$

Let me introduce one condition on the size of the derivative of  $a$  and  $p$ , that is,

$$(p a)' / (p a) < -L_1'(R) / L_1(R)$$

or

$$|(pa)'/(pa)| > L1'(R)/L1(R) \quad (\text{since } (p a)' \text{ is negative and } L1'(R)/L1(R) \text{ is positive.})$$

If this condition is met, in other words, if the decrease of  $a$  and  $p$  is large enough, in other words, the demand is flexible on the action of demandee,

$$\frac{dE[L2(R)]}{dR} - \frac{dL1(R)}{dR} > 0$$

Derivative of alliance function with respect to armament increases in this formulation. Simply put, this is because marginal increase of armament not only increases the amount of “alliance” but also decreases the probability  $p$  and the decrease rate  $a$  as to  $L2(R)$ , while marginal increase of armament increases only the amount of alliance as to  $L1(R)$ , as Figure 6.21 shows.

I explain the same problem, that is, whether the derivative of alliance function with respect to armament increased or decreased, using another formulation, since the way a decision maker perceives the demand for more burden-sharing may well be varied. In this formulation, I assume that after a demand for burden sharing in armament increases, a decision maker thinks that the “alliance” may decrease to the level of alliance with the armament which is smaller by  $a$  with probability  $p$ , and receive the same level of “alliance” before with probability of  $1-p$  (see Figure 6.22).

$L2(R) = (L1(R) \text{ with probability of } 1-p, L1(R-a) \text{ with probability of } p)$

In this case, the expected value of “alliance” becomes,

$$E(L2(R)) = (1-p) L1(R) + p L1(R-a)$$

The change in the derivative becomes,

$$\begin{aligned} & \frac{dE[L2(R)]}{dR} - \frac{dL1(R)}{dR} \\ &= - \frac{dp}{dR} L1(R) + (1-p) L1'(R) + \frac{dp}{dR} L1(R-a) + p L1'(R-a) (1 - \frac{da}{dR}) - L1'(R) \\ &= - \frac{dp}{dR} L1(R) - p L1'(R) + \frac{dp}{dR} L1(R-a) + p L1'(R-a) - p L1'(R-a) \frac{da}{dR} \\ &= - \frac{dp}{dR} (L1(R) - L1(R-a)) - p (L1'(R) - L1'(R-a)) - p L1'(R-a) \frac{da}{dR} \\ &= - (p (L(R) - L(R-a)))' \end{aligned}$$

Since  $\frac{dp}{dR}, \frac{da}{dR} < 0$ ,  $L1(R) - L1(R-a) > 0$ , and  $L1'(R) - L1'(R-a) < 0$

$$\frac{dE[L2(R)]}{dR} - \frac{dL1(R)}{dR} > 0$$

The result is the same. In this formulation, there is no condition on size of decrease with respect to  $a$  and  $p$  when  $R$  increase, in order that the derivative increases. This is because  $a$  and  $p$ , and  $dL/dR$  are decreasing functions of  $R$ , or  $L = L(R)$  is concave. (In this formulation, the condition on  $a$  and  $p$  in order that the derivative increases is that they have to be non-increasing functions of  $R$ , if the condition that alliance function is concave is met, as I can see from the derived expression. Or,  $a$  and  $p$  do not have to be decreasing functions of  $R$ , different from the first formulation.)

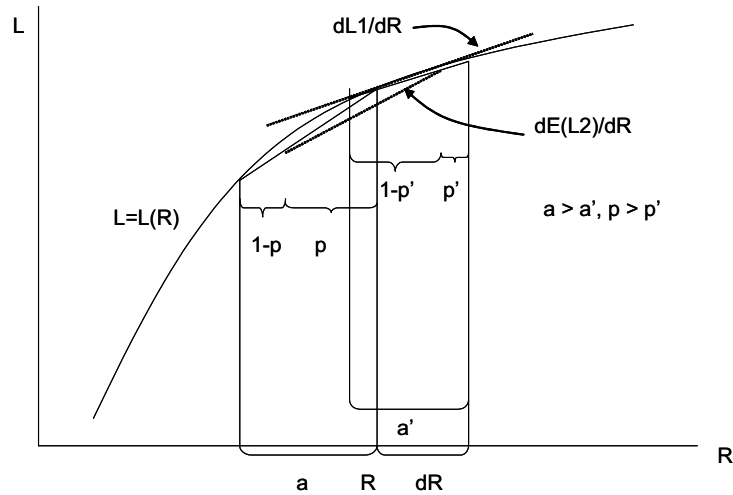


Figure 6.21 – Demand for burden sharing and alliance function (Case 1)

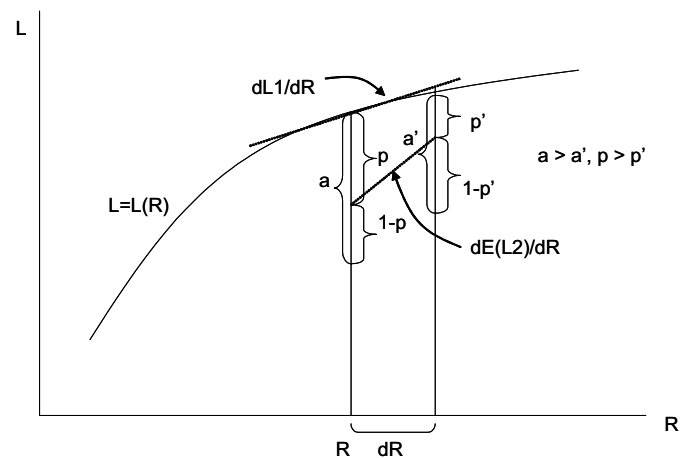


Figure 6.22 – Demand for burden sharing and alliance function (Case 2)

a. Late 1970s

I argue that both derivatives for the U.S.-Japan security alliance increased in the late 1970s, or it became necessary for Japan to provide more of armaments and alliance contributions. This was because of more demand for defense burden-sharing from the U.S. as a result of trade imbalance and economic friction. I explain first trade imbalance and economic friction, and second, how the friction affected the discussion in the Congress briefly.

As Figure 6.23 and 6.24 shows, the trade imbalance increased in the late 1970s. There were frictions between the U.S. and Japan related to Japan's export of televisions, machine tools, steels, and cars in the late 1970s.<sup>133,134</sup> Closeness of the Japanese market to imported products became issues

<sup>133</sup> Sotooka, et al., pp.349-351.

on orange and beef in 1977-78, and the U.S. demanded the participation of U.S. firms in the procurement bidding of the semi-governmental Nippon Telegraph and Telephone Co in 1979, and the U.S. and Japanese governments concluded an agreement in 1981.<sup>135</sup>

Second, how did the economic issue have an impact on the alliance? On relationship between economy and defense in the U.S.-Japan alliance, one analyst explained as follows: “Is it realistic to view the U.S.-Japan defense relationship as an isolated, or isolatable, aspect of the overall relationship? ... The answer is not satisfying: ‘occasionally yes, usually no.’ It is possible to insulate certain important practical decisions and planning from the vagaries of the economic relationship. However, throughout the postwar period, trade and economics have become intertwined with the defense relationship.”<sup>136</sup> Figure 6.26 shows the number of resolutions *proposed* in the U.S. Congress and Senate related to Japan’s economy and defense during 1973-2002. The number of resolutions related to Japan increased in the early 1980s as a result of trade frictions. Importantly, not only the resolutions related to Japan’s economy but also the resolutions related to Japan’s defense and the alliance increased in this period.<sup>137</sup>

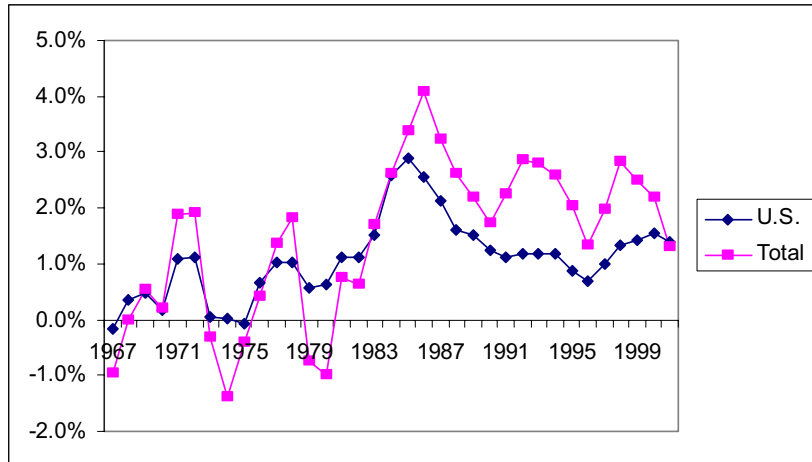
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<sup>134</sup> William V. Rapp and Robert A. Feldman, “Japan’s Economic Strategy and Prospect,” pp.86-154, in *Japan and the United States: Challenges and Opportunities*, edited by William J. Barnds, Council on Foreign Relations, 1979, p.119.

<sup>135</sup> Not only the bilateral negotiation but also the G-7 brought up the issue. For example, the Bonn summit meeting in 1978 discussed the U.S. trade imbalance with Japan. The declaration of the Summit meeting stated that Japanese government should try to decrease Japan’s export in 1978 as follows: “20. We note the need for countries with large current accounts deficits to increase exports and for countries with large current accounts surpluses to facilitate increases in imports. In this context, the United States is firmly committed to improve its export performance and is examining measures to this end. The Prime Minister of Japan has stated that he wishes to work for the increase of imports through the expansion of domestic demand and various efforts to facilitate imports. Furthermore, he has stated that in order to cope with the immediate situation of unusual surplus, the Government of Japan is taking a temporary and extraordinary step of calling for moderation in exports with the aim of keeping the total volume of Japan’s exports for the fiscal year of 1978 at or below the level of fiscal year 1977.” (Bonn Summit, Declaration, July 17, 1978, Ministry of Foreign Affairs, Documents of Summit Meetings in the Past, URL: [http://www.mofa.go.jp/policy/economy/summit/2000/past\\_summit/04/e04\\_a.html](http://www.mofa.go.jp/policy/economy/summit/2000/past_summit/04/e04_a.html)).

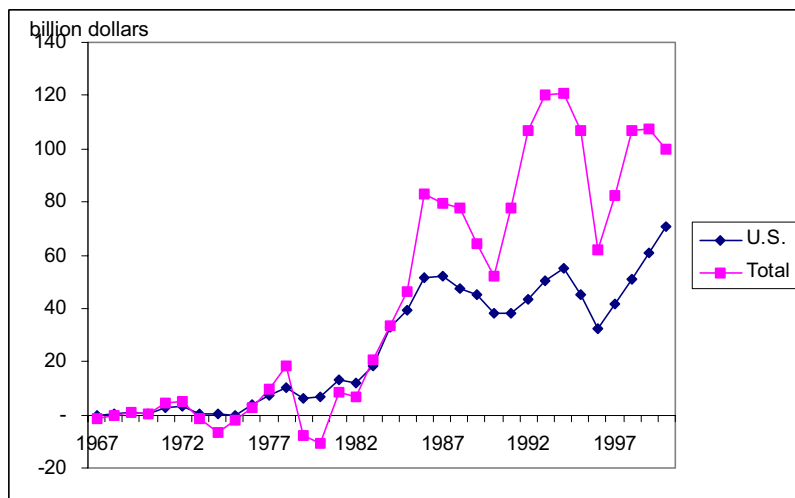
<sup>136</sup> Stone, Laura, “Whither Trade and Security?: A Historical Perspective,” in Chapter 12, *The U.S.-Japan Alliance: Past, Present, and Future*, A Council on Foreign Relations Book, Edited by Michael J. Green and Patrick M. Cronin, 1999, pp.247-67. p.248-249.

<sup>137</sup> For example, Representative Hunter and 7 representatives proposed a resolution (H.CON.RES.325, 5/1982) “expressing the sense of the Congress that the Government of Japan should assume a greater share of the defense of Japan and should pay for the construction, equipping, and operation of a United States Navy aircraft battle group.” Or, Representative Neal and other 11 representatives proposed a resolution (H.CON.RES.210, 10/1981) “expressing the sense of the Congress that the President of the U.S. should seek to negotiate an agreement with the government of Japan, whereby that nation would pay an annual ‘security tax’ to the U.S. government equal to two percent of Japan’s annual GNP, to more equitably compensate the U.S. for expenditures related to carrying out the provisions of the U.S.-Japan Treaty of Mutual Cooperation and Security, and for the security of the free world.”



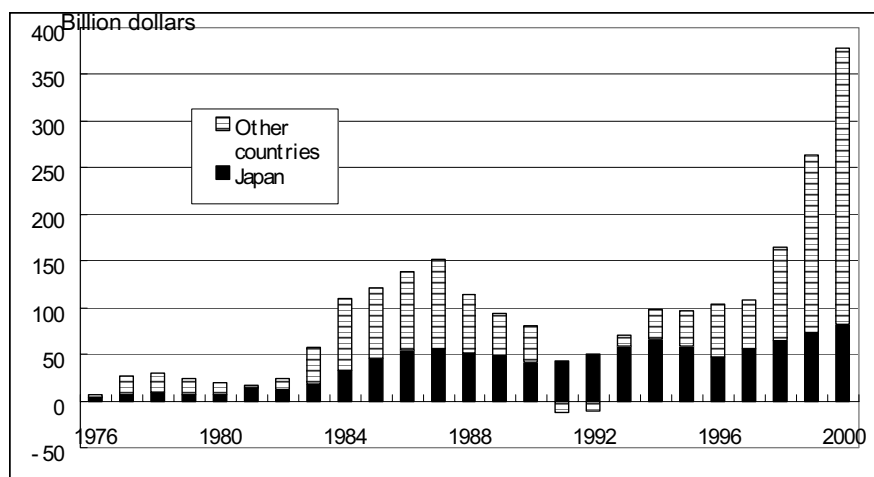
Source: JETRO on trade volume data (in dollars), <http://www.jetro.go.jp/ec/j/trade/excel/40w02.xls>, Bank of Japan on foreign exchange rates (annual average of monthly exchange rates). I divided Japan's GDP (in yen) by foreign exchange rate (yen/dollar), and compared that with the trade volume (in dollars).

Figure 6.23 – Ratio of Japan's trade surplus (to the U.S. and total) to Japan's GDP (1967-2000)



Source: JETRO on trade volume data (in dollars, unadjusted, current price)

Figure 6.24 - Japan's trade surplus (to the U.S. and total) (1967-2000)

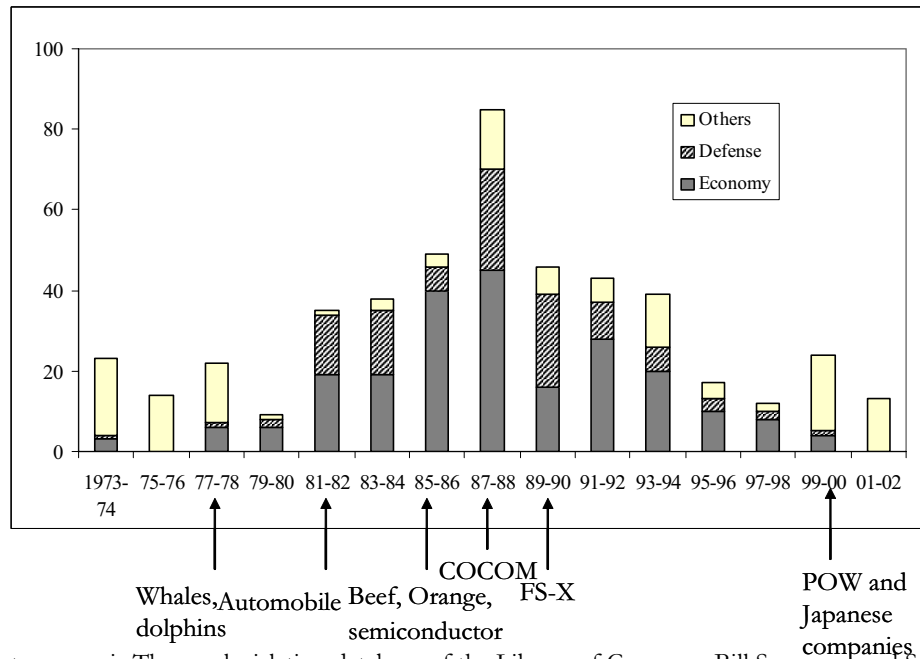


Source: U.S. Census Bureau, Foreign Trade Division, U.S. Trade in Goods and Services - Balance of Payments (BOP) basis, <http://www.census.gov/foreign-trade/statistics/historical/gands.txt>

Figure 6.25 – U.S. trade deficit (to Japan and to other countries, 1976-2000)

#### b. Late 1980s

Both variables increased in the mid to late 1980s (but probably not after 1989) considering the two factors. First, Figure 6.23 shows the peak of the ratio for the U.S.-Japan trade was in 1985, and that for Japan's total trade was in 1986. The ratio for U.S.-Japan trade decreased from 2.9% in 1985 to 1.3% in 1990, and the ratio for Japan's total trade decreased from 4.1% in 1986 to 1.7% in 1990.



Note: data source is Thomas legislation database of the Library of Congress, Bill Summary and Status. Arrows are for explaining the main events in the years with high number of proposed resolutions.

Figure 6.26 – Number of Japan-related resolutions, bills, and amendments proposed in the U.S. Senate and the House (1973-2002) <sup>138</sup>

<sup>138</sup> The resolution numbers of the resolutions (defense and economy) counted in on this figure are as follows (H.R.: House Resolution, H.Con.Res.: House Concurrent Resolution, H.Amdt.: House Amendment, etc.)

1) 93rd Congress (1973-74)

Defense: H.R.17587

Economy: H.Con.Res.405, H.R.8548, S.1636.

2) 95th Congress (1977-78)

Defense: S.446

Economy: H.Con.Res.270, H.Res.902, S.Con.Res.50, S.Con.Res.97, S.Res.292, S.Res.573

3) 96th Congress (1979-80)

Defense: H.R.6974, S.Res.484, S.1235

Economy: H.Con.Res.363, H.Con.Res.376, H.Con.380, H.J.Res.361, H.J.Res.580, H.R.7069, S.Res.322

4) 97th Congress (1981-82)

Defense: H.Con.Res.74, H.Con.Res.172, H.Con.Res.210, H.Con.Res.213, H.Con.Res.325, H.J.Res.338, H.R.4241, H.R.6018, H.R.6986, H.R.7083, H.Amdt.706, S.Con.Res.46, S.Res.115, S.UP.Amdt.514, S.UP.Amdt.957.

Economy: H.Con.Res.80, H.Con.Res.177, H.R.1823, H.R.1954, H.R.2552, H.R.2830, H.R.4346, H.R.5050, H.R.5614, H.R.5616, H.R.7298, H.Amdt.998, H.Amdt.999, S.Res.462, S.Res.516, S.Res.525, S.396, S.2194, S.UP.Amdt.1476

5) 98th Congress (1983-84)

Defense: H.Con.Res.12, H.Con.Res.146, H.Con.Res.171, H.Con.Res.172, H.Con.Res.179, H.Res.315, H.J.Res.648, H.R.1740, H.R.3210, H.R.3263, H.Amdt.245, H.Amdt.790, S.Con.Res.112, S.Amdt.3149, S.Amdt.3170, S.Amdt.3185.

Economy: H.Con.Res.178, H.Con.Res.245, H.Res.334, H.Res.381, H.R.1740, H.R.1891, H.R.1892, H.R.3210, S.Con.Res.79, S.Con.Res.81, S.Con.Res.87, S.Con.Res.145, S.Res.225, S.J.Res.30, S.950, S.Amdt.2097, S.Amdt.2474, S.Amdt.2512, S.Amdt.3699.

6) 99th Congress (1985-86)

Defense: H.Con.Res.27, H.Res.247, H.Amdt.230, H.Amdt.311, S.Amdt.330, S.Amdt.2369

Economy: H.Con.Res.63, H.Con.Res.93, H.Con.Res.103, H.Con.Res.105, H.Con.Res.106, H.Con.Res.107, H.Con.Res.108, H.Con.Res.309, H.Con.Res.328, H.Con.Res.403, H.Res.247, H.Res.454, H.Res.556, H.Res.567,



The peak year of Japan's trade imbalance became later if I measure the volume of trade in dollars because of the rapid appreciation of yen to dollar after the Plaza accord in 1985. Figure 6.24 shows the trade imbalance in dollars, not the ratio of trade imbalance in yen to Japan's GDP. In this figure, the peak year of the trade imbalance for the U.S-Japan trade was 1987 and the peak year for Japan's total trade was 1986. The trade imbalance was decreasing after the peak year, but the decreasing trend was slower than that in the ratio in Figure 6.23.<sup>139</sup> Considering both the trade

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H.R.539, H.R.1060, H.R.1892, H.R.1944, H.R.2006, H.R.2015, H.R.2156, H.R.3035, H.R.3655, H.R.3831, H.Amdt.843, S.Con.Res.15, S.Con.Res.23, S.Res.215, S.Res.223, S.Res.465, S.Res.504, S.11, S.728, S.770, S.774, S.906, S.1073, S.1404, S.1449, S.1989, S.2555.

7) 100th Congress (1987-88)

Defense: H.Con.Res.62, H.Con.Res.135, H.Con.Res.137, H.Con.Res.139, H.Con.Res.178, H.Res.249, H.J.Res.327, H.J.Res.507, H.J.Res.590, H.R.1405, H.R.2231, H.R.2549, H.R.2948, H.R.3000, H.R.3026, H.R.3079, H.R.3100, H.R.3724, H.R.3771, H.R.5294, H.Amdt.259, H.Amdt.260, H.Amdt.261, H.Amdt.321, H.Amdt.627, S.Amdt.566, S.Amdt.686, S.Amdt.2052, S.Amdt.2808.

Economy: H.Con.Res.128, H.Con.Res.132, H.Con.Res.261, H.Con.Res.298, H.Con.Res.316, H.Con.Res.347, H.Res.127, H.R.1107, H.R.1364, H.R.1399, H.R.1407, H.R.1463, H.R.1514, H.R.2241, H.R.2698, H.R.2731, H.R.3888, H.R.4339, H.R.5502, H.R.5511, H.Amdt.25, H.Amdt.235, H.Amdt.307, H.Amdt.530, S.Con.Res.117, S.Con.Res.157, S.Res.51, S.Res.164, S.Res.271, S.1086, S.1101, S.1280, S.1399, S.1677, S.2692, S.Amdt.39, S.Amdt.320, S.Amdt.366, S.Amdt.469, S.Amdt.472, S.Amdt.477, S.Amdt.562, S.Amdt.598, S.Amdt.782, S.Amdt.2675.

8) 101st Congress (1989-90)

Defense: H.Con.Res.81, H.Res.21, H.Res.165, H.J. Res.254, H.R.107, H.R.1929, H.R.2728, H.R.3672, H.R.5602, H.Amdt.54, H.Amdt.55, H.Amdt.712, S.Res.61, S.Res.129, S.Res.204, S.J.Res.113, S.Res.123, S.1285, S.1438, S.Amdt.101, S.Amdt.102 S.Amdt.528, S.Amdt.903.

Economy: H.Con.Res.91, H.Con.Res.166, H.Con.Res.216, H.Con.Res.312, H.Res.146, H.R.1051, H.R.3995, H.R.4428, H.R.4750, S.Con.Res.135, S.Res.119, S.292, S.2369, S.2573, S.Amdt.906, S.Amdt.2502.

9) 102nd Congress (1991-92)

Defense: H.Con.Res.67, H.R.377, H.R.641, H.R.4120, H.Amdt.74, H.Amdt.576, S.Res.291, S.Amdt.1224, S.Amdt.3213

Economy: H.Con.Res.78, H.Con.Res.179, H.Res.133, H.Res.297, H.Res.331, H.J.Res.92, H.R.1071, H.R.2002, H.R.2129, H.R.3283, H.R.3434, H.R.3978, H.R.4098, H.R.4100, H.R.4140, H.R.4173, H.R.4194, H.R.5578, H.Amdt.688, S.Res.151, S.Res.230, S.Res.245, S.1861, S.2145, S.2395, S.2685, S.3019, S.Amdt.3213

10) 103rd Congress (1993-94)

Defense: H.R.259, H.R.866, H.R.5121, H.Amdt.288, H.Amdt.556, S.Amdt.2521

Economy: H.Con.Res.274, H.R.113, H.R.420, H.R.2528, H.R.2613, H.R.2964, H.R.3749, H.R.3900, H.R.4458, S.Con.Res.61, S.Con.Res.73, S.90, S.163, S.777, S.1132, S.1173, S.1872, S.Amdt.635

11) 104th Congress (1995-96)

Defense: H.R.2788, H.R.2936, S.Res.306

Economy: H.Res.141, H.Res.150, H.R.2002, S.Res.118, S.Res.155, S.Amdt.2336, S.Amdt.4057, S.Amdt.5029, S.Amdt.5101, S.Amdt.5198

12) 105th Congress (1997-98)

Defense: H.Res.68, S.Res.58

Economy: H.Con.Res.233, H.Res.392, H.R.4762, S.Con.Res.88, S.Res.140, S.Res.216, S.Res.262, S.Amdt.3280

13) 106th Congress (1999-2000)

Defense: H.Res.587 (appreciation for Okinawa)

Economy: H.R.502, S.Res.207, S.Res.226, S.Res.275

<sup>139</sup> Trade imbalance to the U.S. decreased from 52.0 billion dollars in 1987 to 38.0 billion dollars in 1990. Japan's trade imbalance in total decreased from 82.7 billion dollars in 1986 to 52.1 billion dollars in 1990. These were the decrease of 27% and 37% respectively, as compared to the decrease of 65% and 68% when comparing the ratio to GDP between the peak year and 1990. Yen dollar exchange rate was 168 yen/dollar in 1986, and 145 yen/dollar in 1987 and 1990 (14%).

imbalance measured in the ratio to GDP in yen and the trade imbalance measured in dollar, the trade imbalance to the U.S peaked in 1986, 1987 and 1988.

Second, I can see from Figure 6.26 that the criticism in the U.S. Congress to Japan was increasing during the mid to late 1980s. The peak of the number of resolutions was in the 100th Congress (1987-1988). The peak year was corresponding to the peak year for the trade imbalance with Japan. But not only the number of economy-related resolutions but also the number of defense-related resolutions increased. I can observe correlation between the number of economy-related and defense-related resolutions.<sup>140</sup>

Another factor that contributed to the increase in the 100th Congress (1987-88) was Toshiba COCOM incident in 1987. Toshiba Machine Company violated provisions of COCOM (the Coordinating Committee for multilateral export controls) by selling machine tools by which the Soviet Union's military may be able to produce more silent propellers for their submarines. The U.S. Department of Defense pointed out the allegation in March 1987.<sup>141</sup> After the incident, the criticism in the U.S. Congress increased not only to Toshiba but also business practices of Japanese firms or loose export control of the Japanese government.<sup>142</sup>

### c. Early 1990s

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<sup>140</sup> Criticisms on economic issues and criticisms on defense issues can reinforce each other. For example, the reinforcing reasoning of Congressmen would be: [Critical toward large trade imbalance (or trade barriers)]  $\leftrightarrow$  [Critical toward increase of Japan's economic capability as a result of unfair practices]  $\leftrightarrow$  [Critical toward Japan's low level defense efforts]. If the two way reinforcing as such is prevalent, I can expect that there is a stronger correlation between the number of economy and defense-related resolutions than the association proceeds in one way.

<sup>141</sup> Packard, George R., "The Coming U.S.-Japan Crisis," *Foreign Affairs*, Winter 1987/88.

<sup>142</sup> Examples of proposed resolutions related to Japan in the 100th Congress are as follows:

#### 1. Defense-related

- (Related to the Iran Iraq War) H.Con.Res.(House Concurrent Resolution)135, June 1987, proposed by Rep. Snowe with 21 other members, "expressing the sense of the Congress that United States allies with significant security and economic interests in the Persian Gulf should join the United States in protecting our mutual interests in the region."
- (Related to Japan's defense efforts) H.J.Res.327, proposed by Rep. Ritter and 24 other members, January 1988, "a joint resolution ...having Japan bear a greater share of the defense burden by either increasing its annual defense expenditure to at least 3 % of its GDP or by obtaining payment by Japan to the U.S. of the difference between 3% of Japan's GDP and what Japan actually spends on defense."

#### 2. Economy-related

- (Related to trade barriers in Japan's market (agriculture) H.Con.Res.128, May 1987, proposed by Rep Herger and 42 other members, "a concurrent resolution expressing the sense of the Congress regarding the trade barriers and high tariffs Japan places on competitive agricultural exports from the United States."
- (Related to trade barriers in Japan's market (agriculture)H.Con.Res.298, May 1988, proposed by Rep. Lewis, T. and 54 other members, "A concurrent resolution to express the sense of Congress regarding relief for the U.S. Citrus Industry under section 301 of the Trade Act of 1974 and other appropriate relief."

I argue that the derivative related to armament was the same, while that for alliance autonomy increased.

First, the level of U.S.-Japan trade imbalance in the year 1991 decreased compared to the late 1980s but was still about the same as in 1990.<sup>143</sup> In the early 1990s, there were also more U.S. pressures to Japan on economic issues. This was because “the U.S. was free to bring much more pressure to bear on Japan with respect to the economic agenda with less worry about the implications for the security relationship” (Deming, 2004, p.62).

Second, the number of resolutions in the 102nd Congress (1991-92) was at the level lower than the late 1980s but at the level of the 101st Congress (1989-90). The number of resolutions related to Japan was 70 in the 100th Congress (1987-88) (economy-related 45, defense-related 25), 39 in the 101st Congress (1989-1990) (economy 16, defense 23), and 38 in the 102nd Congress (1991-92) (economy 28, defense 9).<sup>144</sup>

The first and second points above showed the quantitative indicators were at the same level as before. However, third, as an issue specific to this period, there were criticisms in the U.S., in public and in Congress, on the size and content of Japan’s contributions during the Gulf War. According to the opinion poll in 1990 by Asahi Shimbun on the Japanese government policy towards Iraq’s invasion, 77% of Americans believed that Japan’s contribution to the crisis was inadequate.<sup>145</sup> In the Congress, the House of the Representatives passed an amendment to the defense authorization bill with 370 votes vs. 53 votes, calling for the annual withdrawal of 5,000 troops from Japan if the Japanese government did not agree to pay all the costs for deploying U.S. troops in Japan.<sup>146</sup> A senate version of the amendment called for the annual withdrawal of 10,000 troops. The amendment required Japan to pay for all deployment costs associated with stationing U.S. troops in Japan. But, the Senate – House joint meeting a month later dropped the provision from the authorization bill.<sup>147</sup>

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<sup>143</sup> The reason why trade imbalance of Japan in dollars in total increased in 1991 without increasing the trade imbalance to the U.S. was because the trade imbalance to Europe and Asia increased but not to the U.S. The increase rate of export from Japan to the U.S., Europe and Asia in dollars were 1.3%, 9.0%, and 18% respectively (data is from JETRO, see Figure 6.24).

<sup>144</sup> The content of the number of the economy-related resolutions in the 102nd Congress (1991-1992) was 10 resolutions related to Japan’s automobile industry, 5 resolutions related to entry barriers of the Japanese market for foreign firms, and other 13 resolutions. The larger number of economy-related resolutions in the 102nd Congress than in the 101st Congress was related to the bad economic condition of the U.S. in the early 1990s. The GDP growth rate (real) was 1.9% in 1990 and 0.2% in 1991. (*Economic Report of the President*, TABLE B-2.—Real gross domestic product, 1959–2003, The U.S. GDP (real) in 1989, 1990, and 1991 were 6981.4, 7112.5, and 7100.5 (billions of 2000 dollars) respectively.

<sup>145</sup> Asahi Shimbun, October 1, 1990, p.1; cited in Purrington and A.K., 1991, p.310.

<sup>146</sup> H.AMDT.712 to H.R.4739. The amendment required Japan to pay for all deployment costs associated with stationing U.S. troops in Japan. Non-compliance would result in troop reduction of 5,000 per year at the end of FY1991. Sponsor was Rep. Bonior, David E. This amendment passed with 370-53 in September 12, 1990.

<sup>147</sup> Purrington and A.K., 1991, p.310.

The third point was new and increased specifically the U.S. pressures related to alliance autonomy but not to armaments.

d. Mid/late 1990s

I argue that both decreased in the mid 1990s, compared to the early 1990s. At least the pressures to increase the contributions in armament (=increase of defense spending) decreased in both periods.

First, Figure 6.23 and 6.24 show that trade imbalance increased in the early 1990s, decreased in the mid 1990s, and became stable in the late 1990s. Figure 6.25 shows that the ratio of the U.S. trade deficit with Japan to the total U.S. trade deficit decreased. In the mid to late 1990s, China's trade deficit with the U.S. became as large as or larger than Japan.<sup>148</sup> The relationship between U.S. and Japan became less contentious after the three years of the first Clinton administration.

Second, reflecting decreasing trend of the trade imbalance and other bilateral problems between Japan and the U.S. in the mid and late 1990s, the number of resolutions related to Japan in the Congress had been decreasing during the 1990s, in both economy and defense areas. The press in Japan says the era of "Japan-bashing" during the 1970s, 1980s and early 1990s ended in the mid-1990s, and instead the era of "Japan-passing" started.<sup>149</sup>

6-1-10 Alliance function (sum of armaments and sum of alliance autonomy [last two arguments])

In the alliance function,  $L=L(R, AA; \text{Sum}R, \text{Sum}AA)$ , I think of the derivatives  $dL/d\text{Sum}R$  and  $dL/d\text{Sum}AA$  (both positive) as the indicator to show the effectiveness of armaments and alliance autonomy for increasing the functions of alliance. Did one unit of armament or alliance autonomy increase "alliance" more or less than before, as a result of change in environment, such as change in international situation or military threats? The problem is whether there was a change in the characteristics of threats in each period.<sup>150</sup> I think of quality or characteristics of threats as a

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<sup>148</sup> According to the Foreign Trade Division of the U.S. Census, the U.S. trade deficit to Japan was 41,105 (billion dollars) in 1990, 59,137 in 1995, and 81,555 in 2000. The U.S. trade deficit to China was 10,431 in 1990, 33,789 in 1995, and 83,833 in 2000.

<sup>149</sup> Michael J. Green, "The Forgotten Player – Japan," *National Interest*, Summer, 2000, Vol.60, pp.42-49.

<sup>150</sup> In order to answer the question, I need to go back to the definition of a "unit" of alliance, or what the one unit of output of the alliance function (= "alliance") means. In the discussion on the definition of alliance, I cited the argument by Olson and Zeckhauser that alliance exists to serve "the common interests of the member states" and "to protect the member nations from aggression by a common enemy" (see footnote 1 in Chapter 2). Starting from this argument, I assumed a functional relationship between alliance and alliance contributions made by allies, based on the idea that alliance is an institution based on an international agreement, to provide security, by keeping the alliance goods (armament and alliance autonomy) for common use among allies. If the alliance goods, which are the sum of alliance contributions made by allies, increase, I assume that the alliance as an institution, increases accordingly.

"Alliance" as such has the assumptions and characteristics as follows:

1) Alliance is an input to the security function ("Security (Armament, Alliance)"). Alliance increases "security."

combination of 1) characteristics of forces (weapons and troops) and 2) the strategy on how to use the forces.

a. Late 1970s

I presume that there was no change, because there was no change in the quality and characteristics of threats in this period, coming from the Soviet Union, although the quantity of threats increased (see p.137). During the late 1970s, there was no change in the country from which the threats came. The Soviet Union's nuclear and conventional weapons increased but I presume that there was no major change in the strategy on how to use them enough to have an impact on the effectiveness of the alliance.

b. Late 1980s

During the mid to late 1980s, there was no change in the country from which the main threats came, which was the Soviet Union. The Soviet Union was maintaining the size of its nuclear weapons except for the IRBM/MRBMs, which were in the process of scrapping as a result of concluding the INF treaty (see p.138). The Soviet Union's conventional weapons were decreasing in size but increasing in quality. There was no major change in the strategy on how to use forces. I discussed

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2) Alliance, as an output, is an increasing function of Armament (R) and Alliance autonomy (AA). In other words, I assume that it is possible to adjust the scope or size of alliance by adjusting the size of provision of armament or alliance autonomy to the alliance (alliance contributions).

3) The return of armament and alliance autonomy as to the production of alliance is decreasing. The slope of alliance function, which is defined as the second derivatives of alliance with respect to armament and alliance autonomy, is decreasing.

4) The relationship between alliance and alliance contributions can change. For example, if reliability of the alliance increases, if inter-operability of allies' forces increases, if efficiency in the alliance management, joint-operation, or communication, increases, etc., I consider, the "alliance" will increase for the same amount of armament and alliance autonomy. To produce the maximum alliance from the contributions each ally makes, allies have to operate the alliance as an institution efficiently.

5) I consider that characteristics of military threats affect the most effective type of input for increasing the "alliance." For example, if the enemy's threats are flexible and amorphous, meaning that the realization of the threats take various forms and timing, it would be necessary for an alliance to have a different mix of armament and alliance autonomy to respond to such threats quickly and effectively, which changes the effectiveness of armaments and alliance autonomy. This is the same as we need a different set of skills to solve a different type of problem. If there was no change in the characteristics of threats, there would be a) no absolute change in either effectiveness of armaments or alliance autonomy, and b) no relative change between effectiveness of armaments and alliance autonomy. I think of quality or characteristics of threats I mentioned above as a combination of a) characteristics of forces and b) the strategy on how to use the forces. To produce the maximum alliance from the contributions each ally make, allies have to choose the type of alliance contributions according to the threats the military alliance is facing.

How is this discussion on "alliance" function different from the discussion on effectiveness of "alliance" in the "security" function? I argued that the effectiveness of "alliance" to increase the size of "security" *for Japan* depends on the threat's characteristics such as size of the nuclear forces and large scale conventional forces, which Japan does not have its own capability to counter with. I argue here that effectiveness of "armament" or "alliance autonomy" to increase the size of "alliance" depends on, first, reliability and efficiency of the alliance as an institution, and second, military threat's characteristics such as size and quality of forces, and the strategy to how to use the forces, apart from the effectiveness of "alliance" itself. In other words, increase of "alliance" as a result of increase of "armament" or "alliance autonomy" may not lead to the increase of "security" as much as the increase of "alliance," depending on the security environment of the country, in my model.

that the net level of threats had not changed. It would be difficult to argue that the characteristics of the threats changed in this period, as a result of the improvement in the quality of conventional weapons and forces.

c. Early 1990s

I argue that the derivatives decreased as to armament and increased as to alliance autonomy in alliance function in this period.

The security environment changed in the early 1990s. Was the Soviet Union still considered as a major threat to Japan? If so, how did the threats from the Soviet Union change (or not change)? If not, did a new threat emerge replacing the threat of the Soviet Union? In order to examine how the type of threats to the alliance changed in this period, I look at what President Bush said on the change of the threats for the U.S. He explained on the characteristics on the new security environment in the Aspen speech in August 1991 that:

“The threat of a Soviet invasion of Western Europe launched with little or no warning is today more remote than at any other point in the post war period. ....

“Notwithstanding the alteration in the Soviet threat, the world remains a dangerous place with serious threats to important U.S. interests wholly unrelated to the earlier patterns of the U.S./Soviet relationship. Such threats can arise suddenly, unpredictably, and from unexpected quarters. U.S. interests can be protected only with capability which is in existence and which is ready to act without delay. ...”<sup>151</sup>

Japanese government shared this view on the change of the threats, which “arise suddenly, unpredictably, and from unexpected quarters.” In the white paper on defense, the Japanese government explained that:

Various local elements of conflict and confrontation, which had been contained under the Cold War structure, have come to the surface and have the danger of coming into the open in a violent form. Iraq’s invasion of Kuwait and the civil war in Yugoslavia, for instance, can be taken as a concrete example that the danger of regional armed conflicts has heightened, while a stable order of international peace is being groped for.<sup>152</sup>

That is, there was decrease of the probability of a large-scale invasion by the Soviet Union and increase of the probability of an unpredictable invasion by an unexpected country. This change may lead to the increase of the number of invasions, although their scales would be small. This change means the productivity of armament to increase “alliance” decreases, since the optimal size of deterrence the alliance should possess to counter the threat would decrease, which makes the derivative of the alliance function with respect to armament less at the size of military forces in the early 1990s, on one hand. On the other hand, preparations for an unpredictable invasion would become difficult, and coordination after the invasion among allies, which may accompany deprivation of freedom of action in unexpected areas, would become more important. In addition,

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<sup>151</sup> President George Bush, Speech to the Aspen Institute Symposium, August 2, 1990, in Department of Defense, *Annual Report to the President and the Congress*, 1991, p.131.

<sup>152</sup> Japan Defense Agency, *Defense of Japan 1992*, p.3.

there would be more room for Japan to contribute in a small scale invasion in the areas other than increase of its military capability, different from a large scale invasion where the role of the U.S.'s military is dominant.

d. Mid/late 1990s

I argue that there was an increase as to productivity of alliance autonomy and decrease as to productivity of armament in the mid 1990s as a result of the redefinition of the alliance, and there was no change of armament and alliance autonomy in the late 1990s (=the same level as the mid-1990s).

Was there any change in the quality and characteristics of threats? There was a new element relevant to this question in the mid 1990s. That was the reaffirmation and redefinition of the U.S.-Japan alliance in 1995, as I already explained. That was a revision of the role of alliance, in order to respond to the change in characteristics and quality of the military threats in the Asia Pacific region after the end of the Cold War. The new role given to the alliance was a stabilizer of the region. New area of cooperation made the building of a framework for cooperation rather than building up more military forces or equipment more valuable. Building of a framework of cooperation needs semi-automatic cooperation of Japan when emergencies take place in East Asia, which is related to the provision of alliance autonomy by Japan. In contrast, effectiveness of “armament” to increase “alliance” decreases. The new framework was intended to increase the operationability of the alliance and co-operability of the U.S. and Japan, instead of increasing and maintaining military capability in Japan.<sup>153,154</sup>

## 6-2. Change in Alliance Contributions

In this section, I look at the change in Japan's alliance contributions. I explain that each element of Japan's alliance contributions changed (or not changed) as the arrow signs in Table 6.3. Please see Appendix 2 on classifications and judgment criteria.

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<sup>153</sup> There are various kinds of weapons, so it may not be appropriate to treat those in one category. Some armament types' effectiveness such as tanks may have decreased but other types' effectiveness such as transport capability may have increased.

<sup>154</sup> Did the change in alliance management become more efficient so as to make the contributions more effective for increasing the functions of the alliance? In other words, were there more frequent and more meaningful policy coordination between the U.S. and Japan? I did not see this type of change which was significant enough to bring about the change in alliance contributions. There was no change in the framework for security dialogue, nor dialogue's frequencies. See Nakanishi, Hiroshi, “The Japan-US Alliance and Japanese Domestic Politics: Sources of Change, Prospects for the Future,” p.113, in *The Future of America's Alliances in Northeast Asia*, 2004.

Table 6.3 – Observed direction of change in Japan’s alliance contributions

Element of alliance contributions	Type of alliance contribution	Direction of change				
		Late 1970s	Late 1980s	Early 1990s	Mid 1990s	Late 1990s
Granting right to station forces in Japan	Alliance autonomy	↓	→	→	↓	→
Host Nation Support	Alliance autonomy	↑	↑	↑	→	↓
Increase of scope of Japan’s role in the Article VI emergency	Alliance autonomy	→	→	→	→	↑
Increase of scope of Japan’s role in non-treaty emergency	Alliance autonomy	→	→	↑	→	↑
Increase of scope of Japan’s role in the Article V emergency	Armaments	→	→	→	↑	→
Defense spending	Armaments	↑	↑	↓	↓	→

Note: ↑ : increase, ↓ : decrease, →: no change.

### 6-2-1 Granting the right to station forces in Japan

#### a. Late 1970s

Figure 6.27 shows the number of facilities and acreage of the U.S. Forces in Japan.<sup>155</sup> The number of facilities and acreage increased after the jurisdiction of Okinawa returned from the U.S. to Japan in May 1972. The Japanese government provided a part of the land for U.S. bases after the return of jurisdiction (see p.111). Between 1976 and 1980, the number of facilities decreased from 130 to 113 (17 percent decrease) and the acreage decrease from 355 km<sup>2</sup> to 335 km<sup>2</sup> (5 percent). For example, the U.S. returned Tachikawa airport (5.7 km<sup>2</sup>) in Tokyo in 1977 in this period.<sup>156</sup> Between 1976 and 1980 in Okinawa, the number of facilities decreased from 57 to 49, and the acreage decreased from 267 km<sup>2</sup> to 256 km<sup>2</sup>, which means that half of the reduction during this period was from Okinawa,<sup>157</sup> where there was less motivations for the U.S. to decrease the size of bases during the U.S. occupation between 1945 and 1972 than the U.S. Forces in Japan in the same period.

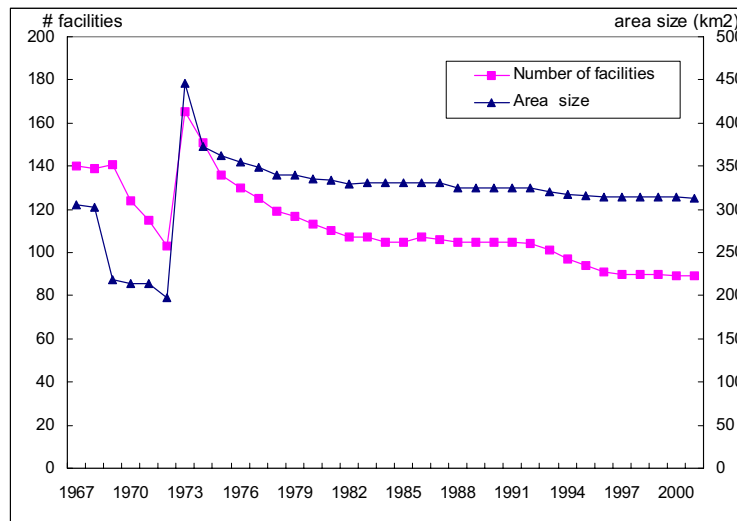
<sup>155</sup> Those are facilities or areas for military exercise (66 percent), airport (13 percent), warehouse (9.2 percent), communication (5.0 percent), housing (1.4 percent), and harbors (1.2 percent) in 1980 (Japan Defense Agency, *Nihon no Boei* (Defense of Japan) 1980, reference 46, “Use of facilities and areas for the U.S. Forces in Japan.”).

<sup>156</sup> Website of the Tokyo Metropolitan Government, <http://www.chijihonbu.metro.tokyo.jp/kiti/tonai/tonokiti.htm>. Other major facilities in Tokyo that the U.S. returned during the 1970s were Camp Asaka (3.2 km<sup>2</sup>) and Chofu Airport (2.0 km<sup>2</sup>) in 1973, and Grant Heights Housing area (1.8 km<sup>2</sup>) in 1974. You can make a complete list of returned facilities between 1976 and 1980 by comparing 1976 version and 1980 version of Department of Defense, *Base Structure Report*.

<sup>157</sup> This shows that the pattern of reduction of bases changed in the late 1970s. Just after the return of Okinawa, there was reduction of bases both in Okinawa and mainland Japan, but especially in mainland Japan, by consolidating base functions of mainland Japan and Okinawa and returning unused land in mainland Japan. During 1972 and 1975, the number of U.S. facilities decreased from 83 to 61 and the acreage decreased from 278 km<sup>2</sup> to 270 km<sup>2</sup> in Okinawa, while the number of facilities decreased from 103 to 75 and the acreage decreased from 197 km<sup>2</sup> to 92 km<sup>2</sup> in mainland Japan. The data on number of facilities and acreage is from Japan Defense Agency, *Defense of Japan* 2001, p.248 (in Japanese). On the Kanto Base Consolidation Plan, which



Considering the fact that the size of U.S. force in Japan was relatively stable in the late 1970s as I explained earlier, the reduction was due to consolidations of bases and returns of areas which were not critically important to the activities of the stationing forces.



Source: *Handbook of Defense 2002*, pp.438-439

Figure 6.27 – Number of facilities and acreage of the U.S. bases in Japan (1967-2001)

#### b. Late 1980s

The number of facilities was 113 in 1980, 105 in 1985, and 105 in 1990. The area size was 335 km² in 1980, 331 km² in 1985, and 325 km² in 1990. In Okinawa, the number of facilities was 49 in 1980, 47 in 1985, and 45 in 1990, and the area size was 256 km² in 1980, 254 km² in 1985, and 250 km² in 1990. The size of the right to station forces in Japan which the Japanese government granted to the U.S. did not change in the mid to late 1980s.

#### c. Early 1990s

The size of areas of U.S. bases in Japan did not change in the early 1990s. The number of facilities was 105 in 1988 and 104 in 1992, and the acre size was about 325 km² in both 1988 and in 1992. In Okinawa, the number of facilities was 45 in both 1988 and 1992, and the acre size was 250 km² in both 1988 and 1992.

#### d. Mid/late 1990s

The size showed a declining trend in the mid 1990s, although the size of the reduction was not very large. There was also a major political advance on the reduction of U.S. bases in the mid 1990s. After the anti-U.S. bases protests spread in Okinawa in September 1995 (see p.136), the U.S. and Japan established the Special Action Committee on Okinawa (SACO) in November, 1995. As a

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was a consolidation plan for bases in a region including Tokyo in 1973, see Smith, Sheila A., “Do Domestic Politics Matter?: The Case of U.S. Military Bases in Japan,” *Working Paper No. 7*, Boston University, [http://www.gwu.edu/~nsarchiv/japan/smith\\_wp.htm](http://www.gwu.edu/~nsarchiv/japan/smith_wp.htm)

major item for reduction, the U.S. and Japan agreed in April 1996 that the U.S. would return the Futenma Air Station in Okinawa “within the next five to seven years.”<sup>158</sup> The Security Consultative Committee (SCC) approved the SACO final report on the reduction of U.S. bases in Okinawa in December 1996. According to the SACO final report, “Approximately 21 percent of the total acreage of the U.S. facilities and areas in Okinawa excluding joint use facilities and areas (approx. 5,002ha/12,361 acres) will be returned.” Since 75 percent of the U.S. bases in Japan is located in Okinawa, 21 percent reduction for Okinawa means 15% reduction ( $0.75 \times 0.2 = 0.15$ ) for Japan. So, this was a major reduction of the U.S. bases not only for Okinawa but also for Japan.<sup>159</sup>

However, the size of U.S. bases had been stable in the late 1990s. Although the U.S. and Japan agreed on the return of U.S. bases totaling in 5,002 ha (about 50 square kilometers), there was not much progress after the SCC in 1996. Among the 11 areas to be agreed to be returned, only the Aha Training Areas (480 ha), and part of the Camp Kuwae (38 ha) were already returned as of June 2004.<sup>160</sup> The return of the Futenma Air Station deadlocked because of the opposition in Okinawa to the relocation plan accompanying the construction of a sea-based facility (see p.235 on the progress of the return of the Futenma Air Station in the SACO process).

#### 6-2-2 Host Nation Support program

I explained this program and the decision process in Chapter 5.

##### a. Late 1970s

The Japan’s Host Nation Support program (HNS) started in the late 1970s.

##### b. Late 1980s

The size of HNS expanded in the late 1980s.

##### c. Early 1990s

The size of HNS increased in the early 1990s.

##### d. Mid/late 1990s

The size of HNS peaked and became stable in the mid 1990s. The size declined slightly in the late 1990s.

#### 6-2-3 Increase of scope of Japan’s role in Article VI emergency

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<sup>158</sup> The Japan-U.S. Special Action Committee (SACO) Interim Report, April 15, 1996, by Minister for Foreign Affairs Ikeda, Minister of State for Defense Usui, Secretary of Defense Perry and Ambassador to Japan Mondale.

<sup>159</sup> The SACO Final Report, December 2, 1996, by Minister of Foreign Affairs Ikeda, Minister of State for Defense Kyuma, Secretary of Defense Perry, and Ambassador Mondale.

<sup>160</sup> Defense Facilities Administration Agency, progress on the SACO process (as of June 2004), <http://www.dfaa.go.jp/jplibary/02/sacosaisyuhoukoku/shintyoku.htm>

Article VI of the U.S.-Japan security treaty stipulates that “For the purpose of contributing to the security of Japan and the maintenance of international peace and security in the Far East, the United States of America is granted the use by its land, air and naval forces of facilities and areas in Japan.” The U.S. forces is stationing in Japan not only for the “security of Japan” but also for the “maintenance of international peace and security in the Far East.” The security treaty does not oblige Japan to support the U.S. forces when the U.S. uses its forces stationing in Japan for an emergency in the Far East. That was not the part of the deal. However, Japan feels obliged to support the U.S. forces other than through the provision of land for military bases, since the activity of the U.S. forces in the emergency in the Far East contributes to Japan’s security and Japan’s policy on the support for U.S forces in such an emergency affects the reliability of the alliance.

a. Late 1970s

I argue that there was no change in the scope of Japan’s role in the Article VI emergency in the late 1970s.

First issue is about the Guidelines for U.S.-Japan Defense Cooperation, which the U.S. and Japan agreed in 1978. The Guideline was the agreement on three issues: “(1) Matters relating to the case of an armed attack against Japan or to the case in which such an attack is imminent, (2) Matters relating to situations in the Far East other than those mentioned in (1) above, which will have an important influence on the security of Japan, and (3) Others (joint exercise and training, etc.).”<sup>161</sup> The second issue is about the Article VI emergency. But the governments put higher priority on the first issue than on the Article VI emergency, and the agreed text stated only that the U.S. and Japan would study the issue,<sup>162</sup> as follows:

The scope and modalities of facilitative assistance to be extended by Japan to the U.S. Forces in the case of situations in the Far East outside of Japan which will have an important influence on the security of Japan will be governed by the Japan-U.S. Security Treaty, its related arrangements, other relevant agreements between Japan and the United States, and the relevant laws and regulations of Japan.

The Governments of Japan and the United States will conduct studies in advance on the scope and modalities of facilitative assistance to be extended to the U.S. Forces by Japan

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<sup>161</sup> Guidelines for Japan-U.S. Defense Cooperation, November 27, 1978. The Subcommittee for Defense Consultation, established under the U.S.-Japan Security Consultative Committee in July 1976, discussed the Guidelines. In December 1978, the U.S. and Japan concluded the Guidelines for Defense Cooperation between Japan and the U.S. (Tanaka, Akihiko, *Anzen Hosho* (National Security), Yomiuri Shimbun, 1997, pp.282-286)

<sup>162</sup> Omori Keiji, deputy director of Defense Section, Defense Agency, and deputy chief of Headquarters for the Subcommittee for Defense Cooperation, where the U.S. and Japan discussed the Guidelines, around 1977-1979. Interviewer Murata Koji asked: “Did the idea of studying possible emergencies in the Far East develop later? Or was it already being considered during the Guideline developing process?” To this question, Omori answered that “there was less time for discussion of Article Six. So the Article Six issue mentioned in the Guideline was not discussed at the panel. The Guideline process was already in progress for two years, so there was a need to speed up the process.” (Omori, Keiji, Oral History Interview, Conducted by Murata Koji, December 20, 1996, URL: <http://www.gwu.edu/~nsarchiv/japan/ohmoriointerview.htm>)

within the above-mentioned legal framework. Such studies will include the scope and modalities of joint use of the Self-Defense Forces bases by the U.S. Forces and of other facilitative assistance to be extended.<sup>163</sup>

The U.S. and Japanese government did not agree on the “scope and modalities of joint use of the Self-Defense Forces bases by the U.S. Forces and of other facilitative assistance to be extended” in 1978. It took nearly 20 years to start a discussion on those issues and for a new Guideline for Defense Cooperation in 1998 to incorporate the results of the discussion.

Second issue is whether the U.S. forces received any kind of cooperation from Japan in the conflict in which the U.S. involved itself in the late 1970s. The issue is whether Japan helped U.S. military activities, especially by allowing (tacitly) the use of U.S. bases in Japan for the military activities. During the 1970s, there were conflicts which could possibly involve the U.S. forces: the 4th Middle East War (1973), the invasion of Vietnam troops into Cambodia (1978), and the invasion of the Soviet Union into Afghanistan (1979). The U.S. provided military aid to Israel during the 4th Middle East War, and aid to Mujahideen in Afghanistan during the Soviet Union’s invasion, but I could not find any records that the U.S. forces used the U.S. bases in Japan for implementing those activities. The U.S. and Japanese governments agreed in 1960, when they concluded the security treaty, that “Major changes in the deployment into Japan of United States armed forces, major changes in their equipment, and the use of facilities and areas in Japan as bases for military combat operations to be undertaken from Japan other than those conducted under Article V of the said Treaty, shall be the subjects of prior consultation with the Government of Japan.”<sup>164</sup> There was no consultation based on this exchanged note in the late 1970s.

#### b. Late 1980s

There was no change in the scope of Japan’s role in Article VI emergency in the mid to late 1980s.

There was no significant progress on the “studies” related to the 1978 Defense Guidelines between the U.S. and Japan, and in the Japanese government, in the 1980s. Because of the difficulties in agreeing on the issues on which various government agencies have jurisdiction such as transportation or medical services during an emergency. Second, as to the use of the U.S. bases in Japan by U.S. forces for the Iran-Iraq war in 1987, I could not find any data, since there was no direct participation of the U.S. forces in the war.

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<sup>163</sup> Guidelines for Japan-U.S. Defense Cooperation, November 27, 1978. “III. Japan-U.S. cooperation in the case of situations in the Far East outside of Japan which will have an important influence on the security of Japan.”

<sup>164</sup> “Exchanged Notes, Regarding the Implementation of Article VI of Treaty of Mutual Cooperation and Security between Japan and the United States of America,” January 19, 1960 (Database of Postwar Japanese Politics and International Relations, [www.ioc.u-tokyo.ac.jp/~worldjpn/documents/texts/docs/19600119.T2E.html](http://www.ioc.u-tokyo.ac.jp/~worldjpn/documents/texts/docs/19600119.T2E.html)).

c. Early 1990s

There was no significant progress on the “studies” related the Defense Guidelines in the Japanese government in the early 1990s. The Director General of the North American Bureau of the Ministry of Foreign Affairs, which was responsible for the study related to Article VI emergency, admitted in 1991 that there had not been much progress on the study during the 1980s and the early 1990s:

“The third item in the Guidelines is the study on the U.S.-Japan cooperation in the case of situations in the Far East outside of Japan which will have an important influence on the security of Japan. As to this study on the Article VI type emergency, we had the first U.S.-Japan study group meeting at the councilor level in January 1982, and have had two more study group meetings so far. But we have not had a significant progress at present. This study includes wide and complex issues that are related to various Ministries and Agencies of the Japanese government. We have not had a progress so far on those issues.”<sup>165</sup>

d. Mid/late 1990s

The U.S and Japan agreed to review the 1978 Defense Guidelines in the “Japan-U.S. Joint Declaration on Security” in April 1996. The Security Consultative Committee approved “Defense Guidelines for Japan-U.S. Defense Cooperation” in September 1997. The new Guidelines superseded the Defense Guidelines agreed in 1978. Based on the new Guidelines, the Japanese Diet enacted one law and revised two laws in 1999.<sup>166</sup> The scope of Japan’s role in the Article VI emergency increased in the late 1990s as a result.

The newer Defense Guidelines included cooperation in three cases: 1) cooperation under normal circumstances, 2) actions in response to an armed attack against Japan, and 3) cooperation in situations in areas surrounding Japan that will have an important influence on Japan's peace and security.<sup>167</sup> The 1978 Guidelines did not elaborate on the third case, which is cooperation during the Article VI emergencies.

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<sup>165</sup> Matsuura Koichiro, Director General of North American Bureau, Ministry of Foreign Affairs. Budget Committee, House of Representatives, Japanese Diet, March 7, 1991. Diet minutes, statement number 94/299.

<sup>166</sup> The bills to implement this agreement were submitted to the Diet in April 1998, by Hashimoto coalition government (the LDP, Socialist Democratic Party and the New Party Sakigake). The bills were approved in the Diet in May 1999 after one year of discussion, under the Obuchi coalition government (the LDP, Liberal Party, and the New Komeito). The three bills were: 1) a bill to ensure safety in situations in areas surrounding Japan, that defines the kind of support to be offered to U.S. forces, 2) a bill to revise the Self Defense Forces Law, in order to rescue Japanese nationals abroad by using SDF transport ships and destroyers, adding to transport planes, which the SDFL permitted at that time; and 3) a bill to revise the Japan-U.S. Acquisition and Cross-Servicing Agreement (ACSA), in order to mutually lend fuel, food, transportation support, and medical and other supplies in an emergency in the areas surrounding Japan (the 1996 ACSA limited such cooperation to peacetime drills, humanitarian missions and U.S. peacekeeping operations).

<sup>167</sup> “Completion of the Review of the Guidelines for U.S.-Japan Defense Cooperation,” New York, New York, September 23, 1997. DOD News Release, No.507-97.

New concept in the 1997 Defense Guidelines was “situations in areas surrounding Japan.” According to the Section V of the Defense Guidelines,<sup>168</sup> “Situations in areas surrounding Japan will have an important influence on Japan’s peace and security. The concept, situations in areas surrounding Japan, is not geographic but situational.” Although the Guidelines defined the concept as a situational one in order to give the government more flexibility, “situations” would at least include emergencies on the Korean Peninsula or in the Taiwan Straits. The Defense Guidelines listed up Japan’s responses to the “situations in areas surrounding Japan” as the following:

- (Cooperation in activities initiated by either government)
  - 1. Relief activities and measures to deal with refugees
  - 2. Search and rescue
  - 3. Activities for ensuring the effectiveness of economic sanctions for the maintenance of international peace and stability
  - 4. Noncombatant evacuation operations
- (Japan’s support for U.S. Forces activities)
  - 1. Use of facilities
  - 2. Rear area support (Supply, transportation, maintenance, medical services, security, communications, others)
- (U.S.-Japan operational cooperation)
  - 1. Surveillance
  - 2. Minesweeping
  - 3. Sea and airspace management

Those supports, which were not included in the 1978 Defense Guidelines, were made possible by enactment of new laws in Japan.

#### 6-2-4. Increase of scope of Japan’s role in the emergency outside the scope of the U.S.-Japan security treaty

Apart from the two kinds of emergencies related to the treaty, there is a third category of emergency, that is, the emergency which is outside the scope of the U.S.-Japan security treaty, that is, neither a direct attack to Japan (Article V) nor an emergency in the Far East (Article VI), but to which the Japanese government may have to consider contributions since the size and type of contributions may have effects on the alliance’s reliability. Since the contributions in this category are related to the alliance by definition, I should analyze the contributions in this category, if any, as “alliance contributions.”

I assume that the alliance contributions in this category are not “armament”-type contributions but “alliance autonomy”-type contributions, since Japan, where the Constitution prohibits the “use of force” for any purposes other than for the purpose of self defense<sup>169</sup>, makes

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<sup>168</sup> Section V – Cooperation in situations in areas surrounding Japan that will have an important influence on Japan’s peace and security (situations in areas surrounding Japan)

<sup>169</sup> Article Ninth in Chapter II (Renunciation of War) of the Constitution of Japan (November 3, 1946) stipulates that “Aspiring sincerely to an international peace based on justice and order, the Japanese people

contributions in this category not by strengthening military capability (armament) but by reducing the freedom of action once such emergency takes place (alliance autonomy).

a. Late 1970s

There was no cooperation in this category.

b. Late 1980s

I look at whether the U.S. forces received any kind of cooperation from Japan in the conflict in which the U.S. involved itself in the mid to late 1980s. During the Iraq-Iran War in 1987, European countries and the U.S. sent minesweepers to the Gulf. The U.S. government requested Japan to cooperate. The Japanese government examined whether to send minesweepers to the area but decided not to dispatch any minesweepers. Foreign minister Uno Sosuke explained on the decision in 1988 as follows:

“Legally speaking, it may not be a breach of Article Ninth of the Constitution to send minesweepers to international waters in the Persian Gulf. But in a situation where the war between Iraq and Iran is still ongoing nearby, it is politically difficult to send minesweepers there even if it may be legally possible under the Constitution.”<sup>170</sup>

The Japanese government limited the contribution to non-military means, thus did not expand Japan’s military’s overseas roles. Nakasone administration’s decision on the contribution in October 1987 included more burden-sharing in the stationing costs of the U.S. Forces in Japan, construction of radio navigation guides for ships in the Gulf, and increase of economic and technological aids to the countries in the Gulf region (see p.75 in Chapter 5).

c. Early 1990s

I argue that the scope of Japan’s role in the emergency outside the scope of the security treaty increased in the early 1990s. The increase of the scope was both in non-military area including financial contribution and in military area, while the increase of the scope in the latter was small and did not include any activities that can be interpreted as the use of force. For explaining that, I look at whether the U.S. forces received any kind of cooperation from Japan in the conflict in which the U.S. involved itself in the early 1990s and which was outside the scope of the U.S-Japan security treaty. The Gulf war in 1990 and 1991 was such a conflict.

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forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes. 2) In order to accomplish the aim of the preceding paragraph, land, sea, and air forces, as well as other war potential, will never be maintained. The right of belligerency of the state will not be recognized.”

So the Constitution prohibits the “use of force” but does not prohibit the use of military forces abroad if the use of military forces is not interpreted as the “use of force,” such as the participation of Japan’s “Self Defense Forces” in the United Nations PKO activity when there is a ceasefire. Financial support for other countries’ military operations is also not interpreted as the “use of force” and therefore not unconstitutional according to the view of Japan’s Cabinet Legislation Bureau (Kudo Atsuo, Director of Cabinet Legislation Bureau, Budget Committee, House of Representatives, February 27, 1991).

<sup>170</sup> Committee on Foreign Affairs, House of Representatives, April 15, 1988.

There were mainly two purposes for the contributions. One purpose of the contributions was to participate in and contribute to the international efforts to maintain the safety and security in the Persian Gulf as a responsible major country especially when Japan depended on the oils coming through that region. The official explanation of the Japanese government was in this line, possibly to avoid the discussion on the constitutionality of providing any kind of support to the U.S.-led military operations and to avoid the impression that the Japanese government decided under the strong pressure from the U.S. Japan's Finance Minister, Hashimoto Ryutaro, explained in the Diet on the decision of financial support in January 1991 that "The Japanese government decided to provide 9 billion dollars in addition to the provisions of financial resource made so far to the Gulf Peace Fund<sup>171</sup>, from the perspective of providing support which is appropriate to Japan's current status in the international society."<sup>172</sup> Another purpose of the contributions would be to avoid the damage to the U.S.-Japan alliance relationship. Although the Japanese government established the "Gulf Peace Fund" at the Gulf Cooperation Council and made financial contributions to the Gulf Peace Fund rather than making direct contributions to the U.S., the Gulf Peace Fund reallocated most of Japan's financial support to the U.S.<sup>173</sup> In the Japanese government's explanation as I cited above, only the former was explicit and the latter was implicit. However, the latter was not less important than the former, considering the importance of the U.S.-Japan alliance relationship to Japan's security policy and the U.S.-Japan relationship to Japan's diplomacy (see p.82). Thus, it would be appropriate to interpret Japan's contributions during the Gulf war to the U.S. war efforts as one type of alliance contributions, although the Japanese government did not make contributions solely as alliance contributions (see p.146 on Bilateralists).

There are three elements in the contribution. First, the Japanese government provided or prepared the legal framework to provide the kind of the support using the military forces which the government did not provide before. The Japanese government dispatched 4 minesweepers to the open sea near Kuwait in the Persian Gulf after the end of the military operations in Iraq in April 1991. It was the first time since the Korean War in 1950 when Japan was under the rule of the U.S.

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<sup>171</sup> For accepting Japan's financial contribution during the Gulf war, "Gulf Peace Fund" was established at the Gulf Cooperation Council (GCC), which was a regional security group in the Middle East consisted of Saudi Arabia, Kuwait, and other conservative Gulf states. A committee consisted of the Secretary General of the GCC and the Japanese Ambassador to Saudi Arabia administers the Gulf Peace Fund. The allocation of fund is restricted to the activities in six non-military areas: transport, medical, food, administration, communication, and construction (Cronin, Richard P., *Japan's Contributions in Support of the U.S.-led Multinational Forces in the War Against Iraq*, Congressional Research Service Report, March 29, 1991).

<sup>172</sup> Hashimoto Ryutaro, Finance Minister, Address to the Diet, January 25, 1991, 120th Plenary Session.

<sup>173</sup> The Gulf Peace Fund allocated the total of 1171.43 billion yen (90 billion dollars) as follows: U.S. 1,079 billion yen, UK 38 billion yen, Saudi Arabia 19.28 billion yen, Egypt 14.72 billion yen, Syria 7.63 billion yen, France 6.5 billion yen, Pakistan 3.07 billion yen, Senegal 0.71 billion yen, Bangladesh 0.66 billion yen, Morocco 0.65 billion yen, , Kuwait 0.63 billion yen, and Nigel 0.58 billion yen. (Sato Yukio, Director General of North American Bureau, Settlement Committee (*Kessan*), House of Councillors, April 19, 1993) So, the Fund allocated 92.1% of the contribution to the U.S.



occupation forces<sup>174</sup>, to send minesweepers abroad except for training missions. In addition, the Japanese government decided to send aircraft of the Self-Defense Air Forces to Jordan for transporting refugees.<sup>175</sup> Japan had not sent its military aircraft abroad for transporting refugees.

Second, the Japanese government contributed financially. The size of Japan's financial contributions was about 13.5 billion dollars in total, including 1) 11.4 billion dollars for supporting the multinational forces, 2) 2.0 billion dollars for economic aid to the Middle Eastern countries (Egypt, Turkey, Jordan, etc) and 0.5 billion dollars for loan to Syria, 3) 60 million dollars for refugee support, and 4) 14.1 billion YEN for medical support.<sup>176</sup> The size of the contributions was unprecedented and this was the first time to contribute to offsetting the military operation's cost.<sup>177</sup>

Third, there was a discussion in the Diet in early 1990 on the United Nations Peace Cooperation Bill, which allows Japan's military forces to participate in the U.N.-authorized multinational forces and to work on rear area support activities such as logistic support for military forces. However, the enactment of the bill failed in the Diet, since first it was difficult to maintain the argument that rear area support for multinational forces engaged in military operation is not interpreted as "use of force" prohibited by the Constitution, and second, there was no public support for the bill. As a result, Japan's military could not participate in the multinational forces in 1990 and 1991 during the Gulf War.

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<sup>174</sup> According to the report of the U.S. Department of Defense, Japan contributed 10,012 million dollars in total for offsetting the cost of the U.S. military operations in 1990 and 1991. The size of the contribution was the third after Saudi Arabia (16,839 million dollars) and Kuwait (16,057 million dollars). Japan's contribution was 18.6% of the total (53,952 million dollars) of contributions by countries. Japan's contribution was 16.4% of the incremental costs for Operations Desert Shield and Desert Storm, 61 billion dollars to the U.S. (Department of Defense, April 1992, p.633.)

Twenty minesweepers of the Maritime Safety Agency were sent to the sea near the Korean Peninsula in 1950 by the order of the General Headquarters (GHQ). Japan was under the occupation of the GHQ until 1952 and did not have military forces at the time. Two minesweepers were sunk by mines in October 1950. One man was died and 17 were injured (Narasaki Yanosuke, Budget Committee, House of Representatives, March 14, 1991).

<sup>175</sup> Although the government prepared to dispatch aircraft, it did not have an opportunity to dispatch aircraft. As a result, Japan missed an opportunity to participate in this area of cooperation. According to the data of the U.S. Department of Defense, donated airlift were 89 missions from Saudi Arabia, 119 missions from Kuwait, 1 mission from UAE, 18 missions from Germany, and 23 missions from South Korea. Department of Defense, *Conduct of the Persian Gulf War, Final Report to Congress*, April 1992. "In-kind Donations of Airlift and Sealift", Department of Defense, p.730.

<sup>176</sup> Sotooka, et al., Table 3, p.431. Based on the data of the 1991 Blue Book by the Ministry of Foreign Affairs.

<sup>177</sup> Department of Defense, April 1992, "Foreign Contributions Pledged in 1990 and 1991 to Offset US Desert Shield/Storm Costs," p.634. Germany contributed 6,572 million dollars, United Arab Emirates 4,088 million dollars, and Korea 355 million dollars.

Although the use of the financial support for the multinational forces was restricted to the activities in six non-military areas such as transport or medicine, the restriction on use of financial resource would not make much difference in the content of the military operations, when first the Japanese government did not have any authority to decide what activities the U.S. and other countries should do in the military operations by the multinational forces and second the size of the military operations decided the size of Japan's contributions and not vice versa.

d. Mid/late 1990s

The Diet approved the International Cooperation Law in June 1992, which made it possible to send Japan's Self Defense Forces abroad for U.N. peace keeping operations. The main purpose of the participation in U.N. PKO activities was to contribute to the international society and not directly related to the security of Japan, and thus it may not be appropriate to interpret it as "alliance contributions." But the beginning of the PKO activities started from the discussion during the Gulf war and in this sense the cooperation to the U.N. activity is related to the alliance broadly. The Japanese government sent troops to the PKO operation in Cambodia in 1992. This was the first time for Japan's military to operate in foreign countries.<sup>178</sup>

Table 6.4 shows Japan's participation in PKO operations during the 1990s. The frequency and the size of cooperation were not high, after the participation in UNTAC in Cambodia in 1992-1993. Table 6.5 shows Japan's participation in international humanitarian relief activities such as provision of supplies for refugees. These were not the participation in PKO, but cooperation based on the PKO law.

Table 6.4 - Japan's participation in Peace Keeping Operations during the 1990s

Mission	Period	Size (personnel x times)
UNTAC (Cambodia)	1992.9-1993.9	Cease-fire observers 8 x 2
		SDF engineer unit 600 x 2
	1992.10-1993.7	Civilian police officers 75
ONUMOZ (Mozambique)	1993.5-1995.1	Staff officers 5 x 2
		Movement control unit 48 x 3
UNDOF (Golan Heights)	1996.2- present	Staff officers 2 x 9
		Transport unit 43 x 17
UNAMET (East Timor)	1999.7-9	Civilian police officers 3

Source: Data: Minister of Foreign Affairs, Japan's cooperation to the United Nations' activities (in Japanese), 2004, <http://www.mofa.go.jp/mofaj/gaiko/pko/pdfs/jinteki.pdf>

Table 6.5 - Japan's international humanitarian relief activities during the 1990s

Mission	Period	Size (personnel)
Rwanda refugee support	1994.9-12	Refugee support by ground forces 283
		Air transport by air forces 118
East Timor refugee support	1999.11-2000.2	Air transport by air forces 113

The reason why Japan's participation level was not high was that the PKO law in 1992 restricted Japan's participation in PKO to certain types of activities. In the 1992 PKO law, there was a freeze on "SDF and other units' participation in certain duties of UN peacekeeping forces, including monitoring of the disarming of combatants, stationing of personnel in and patrolling of

<sup>178</sup> Tanaka, Akihiko. *Anzen Hosho* (National Security), Yomiuri Shimbun, 1997, p.312.

buffer zones, and collection and disposal of abandoned weapons.”<sup>179</sup> In other words, Japan’s participation was restricted to rear-area support activities such as road repairs, water purification or transport support, which are not considered as the main functions of PKO, that is, to keep the peace among the parties to a conflict.

The PKO law obligated the government to examine the implementation of the law three years after the enactment in 1992. Based on the examination starting in 1995, the PKO law was revised in 1998. Under the revised PKO law, first, it became possible to participate in international election monitoring activities by the request from regional organizations such as the OAS and the CSCE. Second, it became possible to participate in international humanitarian relief activities such as provision of supplies even if there is no cease-fire agreement among the parties to the conflict, based on the request by UNHCR. Third, it became possible to use arms as a military unit as the exercise of right of self defense. It had been possible before the amendment only to use arms individually as the exercise of right of self defense to avoid the discussion on “use of force.” After the revision in 1998, election observers participated in Bosnia and Herzegovina election in 1998 and 2000 from the request of the OSCE.<sup>180</sup> In December 2001, the PKO law was amended further so as to lift the freeze on participation in the above-mentioned activities such as disarming of combatants and patrolling by military personnel of buffer zones.

#### 6-2-5 Increase of scope of Japan’s role in the Article V emergency

##### a. Late 1970s

The division of role between the U.S. and Japan in the Article V emergency, that is, in a situation where other country attacks Japan, was clarified during the late 1970s but there was not any increase in the scope of Japan’s role.<sup>181</sup> There were two relevant issues to this concept during the late 1970s: The National Defense Program Outline (NDPO) in 1976 and the Guidelines for U.S.-Japan Defense Cooperation in 1978.

First, the NDPO was important, because it was the official statement of Japan’s defense policy, based on which the Japanese government made five-year Defense Programs until the government revised the NDPO in 1995. The Cabinet of the Japanese government approved the NDPO in October 1976, and the NDPO was “meant to serve as a guideline for Japan's future

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<sup>179</sup> International Peace Cooperation Headquarters, UN Peace Cooperation – Japan’s Contributions, [http://www.pko.go.jp/PKO\\_E/jpko\\_e.html](http://www.pko.go.jp/PKO_E/jpko_e.html)

<sup>180</sup> The numbers of observers in the Bosnia and Herzegovina elections in September 1998 and April 2000 were 2,900 including 30 from Japan and 800 including 11 from Japan respectively. Minister of Foreign Affairs, Japan’s cooperation to the United Nations’ activities (in Japanese), 2004.

<sup>181</sup> In the early 1970s, the Japanese government became responsible for the Okinawa’s defense, after the return of Okinawa in 1973. In this sense, I could say that there was an increase of the scope in terms of geography in the early 1970s.

defense posture.”<sup>182</sup> There were two new concepts in the NDPO: “limited and small-scale aggression” and “basic and standard defense capability,” both of which were important for understanding Japan’s role in the Article V emergency. The Defense Agency explained those two concepts as follows:

[Limited and small-scale aggression]

The possibility that large scale aggression to Japan takes place will be low, because it is inevitable for an invading country to confront directly with the U.S., if Japan maintains the security alliance with the U.S. Therefore Japan will have to prepare only for limited and small-scale aggression as a real possibility.<sup>183</sup>

[Basic and standard defense capability]

Japan shall possess the minimum necessary defense capability for an independent nation so that it would not become a source of instability in the surrounding region by creating a vacuum of power, rather than building a capability directly linked to a military threat to Japan.<sup>184</sup>

The Japanese government made defense policy based on those two concepts, that is, to build “basic and standard defense capability” to prepare for “limited and small-scale aggression,” rather than to build a whole set of military capabilities whose type and size depends on the type and size of threats coming from neighboring countries.

The third section of the NDPO explains the division of roles between Japan and the U.S. as follows:

### 3. Basic Defense Concept

#### (1) Prevention of Armed Invasion

.... Against nuclear threat Japan will rely on the nuclear deterrent capability of the United States.

#### (2) Countering Aggression

Should indirect aggression - or any unlawful military activity which might lead to aggression against this nation - occur, Japan will take immediate responsive action in order to settle the situation at an early stage.

Should direct aggression occur, Japan will repel such aggression at the earliest possible stage by taking immediate responsive action and trying to conduct an integrated, systematic operation of its defense capability. Japan will repel limited and small-scale aggression, in principle, without external assistance. In cases where the unassisted repelling of aggression is

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<sup>182</sup> On National Defense Program Outline, October 29, 1976, adopted by the National Defense Council of the Japanese government, and approved on the same day by the Cabinet. Citation from 1. Purpose.

<sup>183</sup> Maruyama Ko, Director General of Defense Bureau, Japan Defense Agency, Cabinet Committee, House of Representatives, November 20, 1975.

But what is “limited and small-scale aggression”? According to the Japanese government, although explanation is vague and tautological, “limited and small-scale aggression” refers to the aggression which is not only limited, or whose scale is less than a total war or large-scale arms conflict but also which is small-scale. In general, such aggression is undertaken by an enemy without a large-scale preparation for invasion, so that the intention of invasion is not detected by Japan in advance, and is undertaken with the intention to make an occupation by invasion an accomplished fact for a short period of time.. (Prime Minister Miyazawa Kiichi, Answer to the question by congressman (House of Councillors) Ito Masatoshi, No.122-11, January 14, 1992. [www.sangiin.go.jp/japanese/joho1/syuisyo/122/touh/t122011.htm](http://www.sangiin.go.jp/japanese/joho1/syuisyo/122/touh/t122011.htm))

<sup>184</sup> Website of the Japan Defense Agency. URL: [http://www.jda.go.jp/e/pab/kouho/taikou/made\\_e.htm](http://www.jda.go.jp/e/pab/kouho/taikou/made_e.htm)

not feasible, due to scale, type or other factors of such aggression, Japan will continue an unyielding resistance by mobilizing all available forces until such time as cooperation from the United States is introduced, thus rebuffing such aggression.

In order to find whether Japan's role expanded in the late 1970s, I have to examine whether this policy to "repel limited and small-scale aggression, in principle, without external assistance" was different from the defense policy prior to the 1976 NDPO. The government's official statement of its basic defense policy before the 1976 NDPO was in the Fourth Defense Program (FY1972-1976) in 1972. As the following shows, there is no obvious difference between this 1972 statement and the NDPO on the role of the U.S. and Japan for the Article V emergency. Therefore, the NDPO did not increase the role of Japan in the defense of Japan, although it may have clarified its role and related the clarified role with the type of defense capabilities and equipment which Japan had to maintain, compared to the 1972 document.

## 2. Basic Defense Concept

Japan's basic defense policy is to possess an effective defense capability of its own while maintaining the Japan-U.S. security arrangement to prevent aggression. Against nuclear threat, Japan will rely on the nuclear deterrent capability of the United States.

Should aggression occur, Japan will repel such aggression without external assistance in case of indirect aggression or small-scale direct aggression, and with cooperation of the United States in case of the aggression beyond that scale.<sup>185</sup>

Second issue relevant to the topic is the Guidelines for U.S.-Japan Defense Cooperation. As I explained earlier, this agreement between the U.S. and Japan in November, 1978, had treated three issues. The first issue, that is, "matters relating to the case of an armed attack against Japan or to the case in which such an attack is imminent" was the Article V emergency. Japan's Foreign Ministry explained the reason why Japan and the U.S. worked on this agreement, as follows:

Based on the U.S.-Japan security treaty, military forces of Japan and the U.S. is supposed to cooperate by conducting joint operation in the Article V emergency. But there was no discussion between the U.S. and Japan government on how to conduct such joint operations. We thought that the initiating discussion on joint operations would be indispensable. The result of such discussions was the Guidelines for U.S.-Japan Defense Cooperation in 1978.<sup>186</sup>

In other words, the purpose of the Guidelines was more of clarification than to change the existing division of roles between the U.S. and Japan in emergency.

The tone of discussions was to divide the roles between the U.S. and Japan in a way that is not contradictory to Japan's exclusively defense-oriented defense posture and the policy to maintain

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<sup>185</sup> "Judgment on International Situation and Defense Concept for the Creation of the Fourth Defense Program," October 29, 1972 (approved by the Defense Council, and decided in the Cabinet). *Handbook of Defense* 2002, Asagumo Shimbun, p.63.

<sup>186</sup> Asao Shinichiro, Director General of the Bureau of North American Affairs, Ministry of Foreign Affairs, Cabinet Committee, House of Councillors, November 27, 1980.

"basic and standard defense capability."<sup>187</sup> The Defense Guideline reflected this basic stance of the Japanese government.<sup>188</sup>

b. Late 1980s

The question is whether the policies in the mid to late 1980s were different from the 1976 NDPO and the 1978 Guidelines with regard to the division of roles.

In the early 1980s, there was one change in the division of roles in sea lane defense, when Prime Minister Suzuki stated after the meeting with President Reagan in 1981 that Japan would be responsible for defending sea lines of communication up to 1,000 nautical miles from the Japanese

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<sup>187</sup> One government official at the Defense Agency explained that "We should reaffirm that the U.S. is the spear and Japan is the shield, and clarify the role of Japan's Self Defense Forces before we study plans for joint strategic plan." (Omori, Keiji, Oral History Interview, Conducted by Murata Koji, December 20, 1996, National Security Archive (URL: <http://www.gwu.edu/~nsarchiv/japan/ohmoriohinterv.htm>)). Mr. Omori also explained that "as the process of preparing the Guidelines shifted down below the SDC (Subcommittee for Defense Cooperation) and the discussion became more specialized, it became increasingly difficult to maintain the notion of SDF as the shield and U.S. troops as the spear."

<sup>188</sup> The part of the agreed text of the Guidelines which explained the division of roles is as follows: [Guidelines for Japan-U.S. Defense Cooperation, November 27, 1978]

II. Actions in Response to an Armed Attack Against Japan

2. When an armed attack against Japan takes place:

(1) In principle, Japan by itself will repel limited, small-scale aggression. When it is difficult to repel aggression alone due to the scale, type and other factors of aggression, Japan will repel it with the cooperation of the United States.

(2) When the JSDF and U.S. Forces jointly conduct operations for the defense of Japan, they will strive to achieve close mutual coordination to employ the defense capacity of each force in a timely and effective manner.

(i) Concept of Operations:

a) Ground Operations:

The Ground Self-Defense Force (GSDF) and U.S. Ground Forces will jointly conduct ground operations for the defense of Japan.

The GSDF will conduct checking, holding and repelling operations. U.S. Ground Forces will deploy as necessary and jointly conduct operations with the GSDF, mainly those for repelling enemy forces.

(b) Maritime Operations:

The Maritime Self-Defense Force (MSDF) and U.S. Navy will jointly conduct maritime operations for the defense of surrounding waters and the protection of sea lines of communication.

The MSDF will primarily conduct operations for the protection of major ports and straits in Japan; and anti-submarine operations, operations for the protection of ships and other operations in the surrounding waters. U.S. Naval Forces will support MSDF operations and conduct operations, including those which may involve the use of task forces providing additional mobility and strike power, with the objective of repelling enemy forces.

(c) Air Operations:

The Air Self-Defense Force (ASDF) and U.S. Air Force will jointly conduct air operations for the defense of Japan.

The ASDF will conduct air-defense, anti-airborne and anti-amphibious invasion, close air support, air reconnaissance, airlift operations, etc. U.S. Air Force will support ASDF operations and conduct operations, including those which may involve the use of air units providing additional strike power, with the objective of repelling enemy forces.

territory.<sup>189</sup> Although the government initiated the study on sea-lane defense in May 1981<sup>190</sup>, there was no change in the mid-to late 1980s on the division of roles.

There were no revisions made to the 1976 NDPO and the 1978 Guideline during the 1980s. There were no new documents in the 1980s comparable to the NDPO on the basic defense policy and comparable to the Guideline on the defense cooperation between the U.S. and Japan. Only official document on defense plan approved at the Cabinet meeting during the mid to late 1980s was the Mid-Term Defense Program (FY1986-FY1990) in 1985.<sup>191</sup>

But other than setting priority on procurement during the next five years, there was no statement with respect to the division of roles between the U.S. and Japan. In other words, the 1976 NDPO and 1978 Guidelines continued to be the basic documents to decide the division of roles between the U.S. and Japan. Therefore, I presume that the division of roles between Japan and the U.S. when the Article V emergency takes place did not change in the mid to late 1980s.

### c. Early 1990s

The scope of Japan's role in the Article V emergency did not change in the early 1990. There was no document in the early 1990s to replace the NDPO and the Guidelines or to change the policies stipulated in those two documents.

The government decided the Mid-Term Defense Program (FY1991-1995) in December 1990, to replace the former Mid-Term Defense Program (FY1986-1990). The Program stated that:

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<sup>189</sup> In 1981, the Reagan administration announced that it would emphasize a sharing of defense roles, responsibilities, and missions between Japan and the United States (GAO, 1989, p.15). In the meeting between Prime Minister Suzuki Zenko and President Reagan in May 1981, Suzuki stated that "Japan, on its own initiative and in accordance with its Constitution and basic defense policy, will seek to make even greater efforts for improving its defense capabilities in Japanese territories and in its surrounding sea and air space, and for further alleviating the financial burden of U.S. forces in Japan." (Joint Communiqué of Japanese Prime Minister Zenko Suzuki and U.S. President Reagan, Washington, May 8, 1981). After the meeting with the President, in a speech at the National Press Club in May 8, 1981, Prime Minister Suzuki said "U.S. seventh fleet moved to the Indian Ocean and Persia Gulf. There are not much defense forces in sea areas around Japan as a result. We can in accordance with our national policy defend our own territory, defend the seas and skies around Japan, and defend our sea lanes up to 1000 nautical miles. This is Japan's national policy." James Auer Oral History Interview, Conducted by Koji Murata, March 1996. <http://www.gwu.edu/~nsarchiv/japan/auerohistoryinterview.htm>

<sup>190</sup> Sheila Smith, p.81.

<sup>191</sup> The Mid-Term Defense Program (FY 1986-1990), Adopted on September, 1985 by the National Defense Council and approved on the same day by the Cabinet. September 18, 1985.

The Mid-Term Defense Program was a five-year procurement plan to proceed towards achieving the defense capability stipulated in the NDPO as the type and number of weapons which the Japanese military forces should possess. The Japan Defense Agency made procurement plans as internal plan, not as the plan approved by the Cabinet, after the Cabinet approved the National Defense Plan Outline in 1978. This was because the target of defense capability to possess was already stipulated in the annex to the NDPO. Before the Mid-Term Defense Program (FY1986-1990), the last plan approved by the Cabinet was the Fourth Defense Plan (FY1972-FY1976). "53 Mid-Term Defense Program Estimate" (FY1980-1984) in 1979, and "56 Mid-Term Defense Program Estimate" (FY1983-FY1987) in 1982, were internal studies of the Japan Defense Agency to prepare annual defense requests (Tanaka, p.302-303).

Priority shall be given to ensuring and maintaining well-behaved posture in all dimensions by replacing and modernizing main equipment in view of the fact that quantitative level of main equipment set forth in the National Defense Program Outline have been mostly achieved, ...<sup>192</sup>

Again, other than setting priority on procurement during the next five years, that is, maintenance of “well-balanced posture” across various capabilities including air defense capability, capability to defending the surrounding waters, etc., there was no statement in the Mid-Term Defense Program with respect to the division of roles between the U.S. and Japan. The 1976 NDPO and 1978 Guidelines continued to be the basic documents to decide the division of roles between the U.S. and Japan in case of the Article V emergency.

d. Mid/late 1990s

From the change in the 1995 NDPO and 1997 Defense Guidelines, I argue that the scope of Japan’s role in the Article V emergencies increased in the mid 1990s.

The Japanese government approved the new National Defense Program Outline (NDPO), a basic document on Japan’s defense policy, in December 1995, which replaced the NDPO approved in 1976.<sup>193</sup> A key difference related to the scope of Japan’s role in the Article V emergency was that the 1995 NDPO did not use the concept “limited and small-scale aggression,” when explaining the division of roles between the U.S. and Japanese forces in the Article V emergency. The 1976 NDPO explained that “Japan will repel limited and small-scale aggression, in principle, without external assistance.”<sup>194</sup>

There were several reasons why the concept “limited and small-scale aggression” was dropped in the 1995 NDPO, according to the Japan Defense Agency.<sup>195</sup>

- A limited and small-scale aggression is not necessarily the most probable type of aggression to Japan.

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<sup>192</sup> “On the Mid-Term Defense Program (FY1991-1995),” decided by the Security Council of Japan and by the Cabinet on December 20, 1990.

<sup>193</sup> See p.142 on how the 1995 NDPO perceived the international situation after the end of the Cold War.

<sup>194</sup> The 1995 NDPO explained Japan’s role without using the concept, as follows:  
National Defense Program Outline in and after FY1996 (Tentative Unofficial Translation.  
[www.jda.go.jp/e/policy/f\\_work/taikou/3\\_e.htm](http://www.jda.go.jp/e/policy/f_work/taikou/3_e.htm))

III Security of Japan and Roles of Defense Capabilities  
(Role of defense capability)

4. It is necessary that the role of Japan's defense capability be appropriately fulfilled in the respective areas described below in accordance with the aforementioned concepts.

(1) National defense

....

Should direct aggression occur, take immediate responsive action by conducting an integrated and systematic operation of its defense capabilities, in appropriate cooperation with the United States, in order to repel such aggression at the earliest possible stage.

<sup>195</sup> Japan Defense Agency, Q and A on the National Defense Program Outline (in Japanese),  
[www.jda.go.jp/j/defense/policy/taikou/q\\_a/](http://www.jda.go.jp/j/defense/policy/taikou/q_a/)



- The type of cooperation with the U.S. forces is not necessarily different qualitatively between the limited and small-scale aggression and the conflict beyond that scale.
- The U.S.-Japan defense cooperation has made progress since the 1976 NDPO.
- It has become necessary for Japan to contribute to the enhancement of stability of the region. It is not appropriate for Japan to prepare only for a limited and small-scale aggression to Japan.

As I already explained, the U.S. and Japan approved the new Defense Guidelines in 1997 (see p.174). How was the 1997 Defense Guidelines different from the 1978 Defense Guidelines with regard to the scope of Japan's role in the Article V emergency?<sup>196</sup> In the three cases, examined in the new Guidelines, the second case, that is, actions in response to an armed attack against Japan, is related to the scope of Japan's role in the Article V emergency. Reflecting the change in the 1995 NDPO, as I explained above, the 1997 Guidelines did not use the concept "limited and small-scale aggression." The 1997 Guidelines explained, instead, that Japan has primary responsibility when it is attacked.<sup>197</sup>

## 6-2-6. Defense spending

### a. Late 1970s

Defense spending increased in terms of both the ratio to GNP and absolute size in the late 1970s (Figure 6.28). The ratio of defense budget to GDP increased from 0.84 percent in 1975 to 0.90 percent in 1980. The inflation-adjusted defense budget increased from 1.3273 trillion yen in 1975 to 1.7933 trillion yen in 1980 in 1975 price.<sup>198</sup>

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<sup>196</sup> See p.182 on discussion of the 1978 Defense Guidelines.

<sup>197</sup> The following is the excerpt:

[The Guidelines for Japan-U.S. Defense Cooperation, 1997]

IV. Actions in Response to an Armed Attack against Japan

2. When an Armed Attack against Japan Takes Place

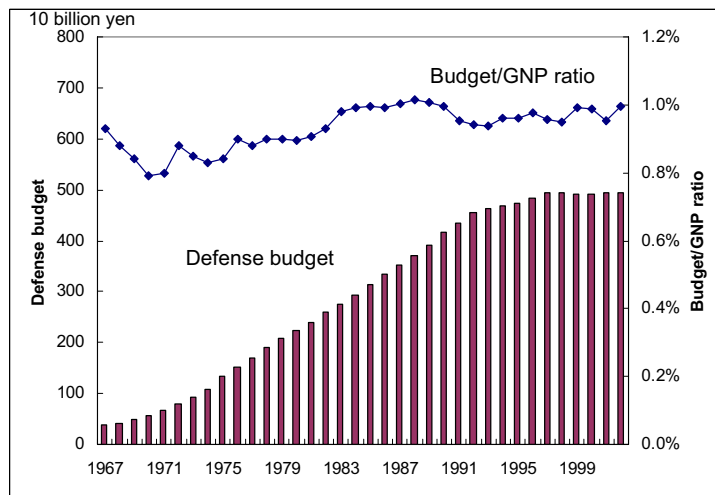
(1) Principles for Coordinated Bilateral Actions

Japan will have primary responsibility immediately to take action and to repel an armed attack against Japan as soon as possible. The United States will provide appropriate support to Japan. Such bilateral cooperation may vary according to the scale, type, phase, and other factors of the armed attack. This cooperation may include preparations for and execution of coordinated bilateral operations, steps to prevent further deterioration of the situation, surveillance, and intelligence sharing.

The 1997 Defense Guidelines explained also that "The Self-Defense Forces will have primary responsibility" and "U.S. Forces will support Self-Defense Forces' operations" in 1) operations to counter air attacks against Japan and 2) operations to defend surrounding waters and to protect sea lines of communication, and that "The Self-Defense Forces will have primary responsibility" and "U.S. Forces will primarily conduct operations to supplement the capabilities of the Self-Defense Forces" in 3) operations to counter airborne and seaborne invasions of Japan.

<sup>198</sup> Defense budget was 2.2302 trillion yen in FY1980. Using the fact that GDP deflator in 1975 is 62.8, and that in 1980 is 78.1 (1992:=100), defense budget in FY1980 using 1975 price was  $2.2302 \times 62.8 / 78.1 = 1.7933$  trillion yen.

The government decided in 1976 to set the level of defense budget after 1977 as not exceeding 1 percent of GDP.<sup>199</sup> It may seem that this decision represented the change in defense policy in the direction to decrease defense budget, but that was not the case. Rather, the government introduced this measure as a new standard for setting the pace for building up defense capability instead of making five-year defense program every five years. After deciding the Fourth Defense Program (FY1972-1976) in 1972, the government did not make formal five-year defense program until the Mid-Term Defense Program (FY1986-1990) in 1986. During the time, the government decided defense procurement plan based on a year-by-year defense budget<sup>200</sup>, not on a multi-year defense program. As a result, Defense Agency needed some standard for setting the tempo of defense build-up. If defense budget is around one percent of GNP for 10 years, the government would be able to purchase all the military equipment which the government decided to purchase in the 1976 National Defense Program Outline. So the government decided one percent constraint on defense budget in 1976 when it decided the NDPO.<sup>201</sup>



Note: *Handbook on Defense 2002*, Asagumo Shimbunsha, p.295..Current price.

Figure 6.28 – Size of defense budget and budget/GDP ratio (1967-2002)

#### b. Late 1980s

Defense spending increased in terms of both the ratio to GNP and absolute size in the mid to late 1980s. The ratio of defense budget to GNP was 0.895% in 1980, 0.997% in 1985, and 0.997% in 1990. The ratio became over 1% in 1987 (1.004%) for the first time since 1966. The ratio continued

<sup>199</sup> “Tomen No Bouei-yoku Seibi Ni Tsuite” (On Defense Programs for the Present), decided by the Cabinet on November 5, 1976. On the 1 percent constraint on defense budget, see Tanaka, pp.263-4.

<sup>200</sup> While the government did not make a five-year defense program at the cabinet level including all ministries, Japan Defense Agency made internally five-year defense programs (*53 Chugyo* in 1978, *56 Chugyo* in 1981) and reported the programs to the National Defense Council (Asagumo Shimbun, *Handbook on Defense 2002*, p.71).

<sup>201</sup> Nishihiro Seiki Interview, by Murata Koji and Tanaka Akihiko, November 16, 1995. Mr. Nishihiro was Director of Defense Section when the Defense Agency made the NDPO in 1976.

to be larger than 1% in 1988 (1.013%) and in 1989 (1.006%). The inflation-adjusted defense budget (1985 price) was 3.14 trillion yen in 1985 and 3.85 trillion yen in 1990.<sup>202</sup>

When defense budget in 1987 exceeded the 1% constraint set in 1976, the Nakasone administration decided to introduce a new constraint to replace the old constraint, “Concerning the Defense Buildup for the Time Being” of 1976. The new constraint, “Concerning the Defense Buildup for the Future” of 1987<sup>203</sup> stated that:

1. Japan has been making efforts on her own initiative for a moderate defense buildup in accordance with the fundamental principles of maintaining, under the peace Constitution, an exclusively defensive posture and of not becoming a military power which might pose a threat to other countries, while adhering to the principle of civilian control and observing the three non-nuclear principles, together with maintaining firmly the Japan-U.S. security arrangements. Japan shall decidedly continue to hold these policies.
2. “Mid-Term Defense Program (FY1986-1990)” was formulated under the basic policies mentioned above. The defense expenditures of each fiscal year in the period which the Program covers shall be decided within the scope of the required expenses for implementation of the Program as estimated therein. ....

While maintaining the basic framework and principles of Japan’s defense policy (paragraph 1), the new constraint based on the size of the budget for the Cabinet-approved *five-year* procurement plan<sup>204</sup> replaced the old constraint based on the ratio of *annual* defense budget to GNP (paragraph 2). The new constraint, which is not based on a symbolic number, 1% ceiling of GNP, was more flexible and influenced less by economic cycles, and could be higher as between FY1987 and FY1989.

#### c. Early 1990s

Defense spending was on a decreasing trend in the early 1990s. I can observe the decreasing trend first in the annual defense budget, and second in the five year procurement plan. As to the annual defense budget, the GDP ratio of defense budget was steadily decreasing: 1.006% in 1989 and 0.941% in 1992. As to the five year defense program, the annual increase rate of the procurement budget for major equipment decreased from 7.7% in the Mid-Term Defense Program (FY1986-1990) to -3.4% (decrease) in the new Mid-Term Defense Program (FY1991-1995).<sup>205</sup> The government revised the Mid-Term Defense Program in December 1992 so as to reflect the change in international situation. The government “sets total expenses required under the program at 22.17

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<sup>202</sup> Defense budget in FY1990 in current price was 4.1593 trillion yen. Using the fact that GNP deflator in 1985 is 89.1, and that in FY1990 is 96.2 (1992:=100), defense budget in 1990 using 1985 price was  $4.1593/96.2 * 89.1 = 3.8523$  trillion yen.

<sup>203</sup> “Concerning the Defense Buildup for the Future,” decided by the Security Council of Japan and by the Cabinet on January 24, 1987, in Japan Defense Agency, *Defense of Japan* 1987, reference 38. Japan Times, p.307. The citation is the first and second paragraphs out of the four paragraphs of the document.

<sup>204</sup> The Mid-Term Defense Program (FY1986-1990) stated in its fourth section (Expenses Requirement) that “The ceiling of the total amount of the defense-related expenditures required for the implementation of the Program is estimated to at or around 18.4 trillion yen at FY1985 prices.”

<sup>205</sup> Budget Committee, House of Representatives, November 14, 1991, Defense Minister Miyashita Sohei.

trillion yen, which represents a decrease of 580 billion yen from the ceiling of the total amount, including a reduction of about 100 billion yen for cutback of defense expenditure for the Gulf Crisis.”<sup>206</sup>

d. Mid/late 1990s

Defense spending continued the decreasing trend in the mid and the late 1990s. Especially, the budget for front-line items such as tanks or aircraft was decreasing during the 1990s. The decision in 2000 for the early 2000s stopped the decreasing trend and made it stable.

Figure 6.28 shows the budget became stable after the mid 1990s, which means a decreasing trend since most of the defense budget was allocated to pay the items bought before. Table 6.6 shows the Mid-Term Defense Program in the 1990s. The Mid-Term Defense Program (FY1996-2000), decided in December 1995, was the plan to downsize the defense forces.<sup>207</sup> Its “guidelines for planning” was to “promote rationalization, effectiveness and compactness while paying attention to smooth transition to the new force levels set forth in the new Defense Outline.” The Mid-Term Defense Program was amended in 1997 so as to reduce its size by 920 billion yen in order to promote the “Fiscal Structure Reform” effort of the government.<sup>208</sup> The Mid-Term Defense Program (FY2001-2005)<sup>209</sup> aimed “to practically achieve the force level shown in the NDPO in 1995 through a smooth and continued transition.”<sup>210</sup>

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<sup>206</sup> Comments by the Chief Cabinet Secretary in regard to “Concerning the Revision of the Mid-Term Defense Program (FY1991-1995),” December 18, 1992. The Security Council of Japan and the Cabinet decided the “Concerning the Revision of the Mid-Term Defense Program (FY1991-1995)” on December 18, 1992.

<sup>207</sup> Mid-Term Defense Program, December 14, 1995, decided at the Security Council and the Cabinet, [www.mofa.go.jp/region/n-america/us/q&a/ref/7a.html](http://www.mofa.go.jp/region/n-america/us/q&a/ref/7a.html)

<sup>208</sup> Revision of the Mid-Term Defense Program (FY1996-2000), December 19, 1997, decided by the Security Council and the Cabinet, [www.jda.go.jp/j/library/archives/keikaku/1996/mp96rj.htm](http://www.jda.go.jp/j/library/archives/keikaku/1996/mp96rj.htm). This Mid-Term Defense Program stipulates that it would be reexamined after three years of implementation, but the revision was one fiscal year earlier than that.

<sup>209</sup> Mid-Term Defense Program (FY2001-2005), December 15, 2000, decided by the Security Council and the Cabinet, [www.jda.go.jp/j/library/archives/keikaku/2001/mp01j.htm](http://www.jda.go.jp/j/library/archives/keikaku/2001/mp01j.htm).

<sup>210</sup> Japan Defense Agency, *Defense of Japan 2001*, Chapter III (Future Defense Build-Up: Defense Capability Required in the New Era), Section 1. New Mid-Term Defense Program.

Table 6.6 – Mid-Term Defense Program (MTDP) in the 1990s and early 2000s

	MTDP (FY1991-95)	Revision of MTDT (FY1991-95)	MTDP (FY1996- 2000)	Revision of MTDP (FY1996- 2000)	MTDP (FY2001- 2005)
Decision	Dec. 1990	Dec. 1992	Dec. 1995	Dec. 1997	Dec. 2000
Budget size (billion yen)	22,750	22,170	25,150	24,230	25,010
Annual Increase rate	3.0%	2.1%	2.1%	0.9%	0.5%
Budget size (front items) (billion yen)	5,000	4,440	4,280	3,970	4,000
Annual increase rate	- 2.3%	- 6.2%	1.2%	- 1.2%	1.2%

Note: MTDP (FY1991-95) - 1990 price, MTDP(FY1996-2000) - 1995 price, MTDP(FY2001-2005) - 2000 price, Ministry of Finance, Council on Fiscal System, October 15, 2001, document 1-2

### 6-3. Characteristics of change of environment and alliance contributions

#### 6-3-1 Change in Environment

Table 6.7 counts the change in environment-related variables in each period. Tables 6.8-6.10 describe the change in environment, using color. Lighter color means the change would lead to the increase of contributions related to the aspect of environment change. Darker color means the change would lead to the decrease of contributions.

In the 1970s, 1980s and early 1990s, Japan's economy continued to grow. The U.S. defense budget's decrease made it difficult for Japan to free-ride on the alliance. Threats from the Soviet Union increased after the détente in the 1970s. The U.S. pressure to Japan to increase the contribution to the alliance continued to grow. The stability of the control of the government by the Liberal Democratic Party (LDP) and favorable political atmosphere made it relatively easy for the government to increase the contribution to the alliance.

During the 1990s, Japan's economy stopped the steady growth of the 1970s and 1980s and stagnated. Unstable and uncertain security condition in East Asia after the end of the Cold War made it necessary for Japan to strengthen the alliance with the U.S. In the situation where the possibility of military conflict in the area near Japan went up to a point where the government felt it as plausible<sup>211</sup>, it became more important to take measures to make the operation of the alliance smooth in order to increase the alliance's effectiveness. The alliance's symbolic value for deterrence decreases as the threat of the Soviet Union from north disappeared. The value of operational cooperation in the alliance relationship increased. Domestic politics and national mood, in spite of the end of the LDP's 38-years control of the government in 1993, during the mid and late 1990s made it easier to increase Japan's contribution to the alliance.

<sup>211</sup> See p.199.

Table 6.7 – Change in environment variables and its potential effect on alliance contributions

Type of alliance contributions	Number of changes in variables that lead to:		
	Increase	No change	Decrease
(Late 1970s)			
Armaments	5	3	0
Alliance autonomy	4	3	0
(Late 1980s)			
Armaments	4	4	0
Alliance autonomy	3	4	0
(Early 1990s)			
Armament	2	4	2
Alliance autonomy	3	3	1
(Mid 1990s)			
Armament	2	4	2
Alliance autonomy	1	4	2
(Late 1990s)			
Armament	2	5	1
Alliance autonomy	1	5	1

Table 6.8 – Change in environment-related variables

Variables	Direction of change				
	Late 1970s	Late 1980s	Early 1990s	Mid 1990s	Late 1990s
Wealth					
Autonomy					
(-) Armament (spillover)					
(-) Alliance autonomy (spillover)					
(-) Cost of armaments					
(-) Cost of alliance autonomy					
Security in Utility function (to non-armament goods)					
Security in Utility function (to domestic autonomy)					
Armaments in Security function					
Alliance in Security function					
Armaments in Alliance function					
Alliance autonomy in Alliance function					
Sum[Armaments] in Alliance function					
Sum[Alliance autonomy] in Alliance function					

Note: (-) means its increase (decrease) leads to decrease (increase) of alliance contributions.



Change that leads to increase of alliance contributions



No change



Change that leads to decrease of alliance contributions

Table 6.9 – Change in environment-related variables (related to the change in armament)

Variables	Direction of change				
	Late 1970s	Late 1980s	Early 1990s	Mid 1990s	Late 1990s
Wealth					
(-) Armament (spillover)					
(-) Cost of armaments					
Security in Utility function (to non-armament goods)					
Armaments in Security function					
Alliance in Security function					
Armaments in Alliance function					
Sum[Armaments] in Alliance function					

Note: Same as Table 6.8.

Table 6.10 – Change in environment-related variables (related to the change in alliance autonomy)

Variables	Direction of change				
	Late 1970s	Late 1980s	Early 1990s	Mid 1990s	Late 1990s
Autonomy					
(-) Alliance autonomy (spillover)					
(-) Cost of alliance autonomy					
Security in Utility function (to domestic autonomy)					
Alliance in Security function					
Alliance autonomy in Alliance function					
Sum[Alliance autonomy] in Alliance function					

Note: Same as Table 6.8.

### 6-3-2 Alliance contributions

Table 6.11 counts the change in alliance contributions since the 1970s. Table 6.12 describes the change, using color. Lighter (darker) color means the increase (decrease) of that type of contribution in that period.

HNS increased until the early 1990s, but its size became stable and started to decline, although by small absolute amounts. Defense spending increased until the late 1980s, but it declined during the 1990s. While those two elements, which were the driving force to increase Japan's alliance contributions during the 1970s and 1980s, stopped growing, elements of alliance contributions other than HNS and defense spending started to change during the 1990s. The elements of alliance contributions that started to move included the scope of Japan's role in the emergency outside the scope of the Japan-U.S. security treaty (increase), the scope of Japan's role in the Article VI emergency (increase), granting the right to station forces in Japan (decrease), and the scope of Japan's role in the Article V emergency (increase). Changes in all of those elements took place for the first time during the 1990s, except for the change in granting of the right to station forces in Japan with the return of Okinawa in the early 1970s.

Table 6.11 – Observed direction of change in Japan's alliance contributions

Type of alliance contributions	Increase	No change	Decrease
(Late 1970s)			
Armaments	1	1	0
Alliance autonomy	1	2	0
(Late 1980s)			
Armaments	1	1	0
Alliance autonomy	1	2	0
(Early 1990s)			
Armaments	0	1	1
Alliance autonomy	2	2	0
(Mid 1990s)			
Armaments	1	0	1
Alliance autonomy	0	3	1
(Late 1990s)			
Armaments	0	2	
Alliance autonomy	2	1	1

Table 6.12 – Observed direction of change in Japan's alliance contributions

Element of alliance contributions	Type of alliance contribution	Direction of change				
		Late 1970s	Late 1980s	Early 1990s	Mid 1990s	Late 1990s
Granting right to station forces in Japan	Alliance autonomy					
	Alliance autonomy					
Host Nation Support	Alliance autonomy					
	Alliance autonomy					
Scope of Japan's role in the Article VI emergency	Alliance autonomy					
Scope of Japan's role in non-treaty emergency	Alliance autonomy					
Scope of Japan's role in the Article V emergency	Armaments					
Defense spending	Armaments					

Note:

	Increase
	No change
	Decrease

## 6-4. Relation of the changes with the alliance contributions models

## 6-4-1 Observation by the economic model on alliance contributions



How does the change in environment variables explain the change in the pattern of alliance contributions?<sup>212</sup> For making that argument, I assume that it is conceptually possible to get the sum of the effects by adding the effects, although it may not be possible operationally. The assumption of the model is that if the sum of the effects of the variables that contribute to the increase of one type of the alliance contributions is larger than the sum of the effects of the variables that contribute to the decrease of the type of alliance contribution, then that type of alliance contributions should increase.

Since the size of each variable's effect is different, I cannot derive the expectation on the direction of change in alliance contributions automatically just from the number of variables in Table 6.7. Each variable suggests only the direction of change in alliance contributions. Number of variables does not matter if the size of one variable's effect is very large. I need to go back to the model and judgment on variables and think which are the critical variables and constraints to see the logic. I expect will enhance the understanding of the pattern of changes of alliance contributions.

In Figure 6.8 on environment, wealth and autonomy, and U.S. pressures to increase burden-sharing was increasing from the late 1970s to early 1990s. On the other hand, during the mid to late 1990s, while wealth and autonomy, and U.S. pressures stopped the increase or declined, people became more security-conscious and the alliance relationship was gaining its importance for Japan's security and its productivity increased. In Figure 6.12 on contributions, during the late 1970s to early 1990, Host Nation Support and defense spending increased. On the other hand, during the 1990s, Host Nation Support and defense spending stopped the increase or declined, while other kinds of contributions such as scope of Japan's role in direct attack to Japan and emergencies surrounding Japan, and out of treaty contributions increased.

Now I look at each period.

(Late 1970s)

I expect that both types of alliance contributions would increase, since all the variables that changed were the types of the variables that would lead to the increase of alliance contributions.

Host Nation Support and defense spending increased, while the size of other types of contributions did not change.

(Late 1980s)

"Armament"-type alliance contributions would increase if the impacts of the variables that, I expect, would lead to the increasing trend, that is, 1) increase of wealth, 2) decrease of spillover of armaments, and 3) possible decrease of cost of armaments were stronger than the impacts of the

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<sup>212</sup> It is not possible to use a statistical analysis such as multiple logistic regression to identify the relationship between (independent) environment variables and (dependent) elements of alliance contributions when the number of parameters to estimate (14 for each type of contribution in this case) is much larger than the number of independent equations (5 waves for each type of contribution in this case).

variables that, I expect, would lead to the decreasing trend, that is, 1) decrease of security in utility function relative to non-armament goods, and 2) possible decrease of armament in alliance function. Also, reasoning the same way, “alliance autonomy”-type alliance contributions would increase if the impacts of 1) increase of autonomy, and 2) possible decrease of cost of alliance autonomy were stronger than 1) possible increase of spillover of alliance autonomy, and 2) decrease of alliance autonomy in alliance function.

Host nation support and defense spending increased.

(Early 1990s)

“Armament”-type alliance contributions would increase if the impacts of 1) increase of wealth and 2) decrease of spillover of armaments, were stronger than the impacts of 1) decrease of security in utility function relative to non-armament goods and 2) decrease of productivity of armament in alliance function. Also, “alliance autonomy”-type alliance contributions would increase if the impacts of 1) increase of autonomy and 2) increase of productivity of alliance autonomy in alliance function were stronger than the impact of the increase of cost of alliance autonomy.

Host Nation Support, and scope of Japan’s role in non-treaty emergency increased, while defense spending decreased.

(Mid 1990s)

“Armament”-type alliance contributions would increase if the impacts of 1) decrease of armament (spillover), 2) security in utility function (to non-armament goods), and 3) alliance in security function, were stronger than the impacts of 1) armaments in alliance function, and 2) sum[armaments] in alliance function. Also, “alliance autonomy”-type alliance contributions would increase if the impacts of 1) alliance in security function and 2) sum[alliance autonomy] in alliance function, were stronger than the impacts of 1) increase of cost of alliance autonomy and 2) alliance autonomy in alliance function

Scope of Japan’s role in the article V emergency increased, while granting right to station forces in Japan and defense spending decreased.

(Late 1990s)

“Armament” type of alliance contributions would increase if the impacts of 1) Security in Utility function (to non-armament goods) and 2) Alliance in Security function, were stronger than the impact of armaments in alliance function. Also, “alliance autonomy” of alliance contributions would increase if the impacts of 1) Alliance in Security function was stronger than the impacts of 1) Alliance autonomy in Alliance function.

Scope of Japan’s role both in the Article VI emergency and the out of treaty emergencies increased, while Host Nations Support decreased.

If I assume that Japan maximized its utility based on the economic model on alliance contributions in the 1970s, both types of alliance contributions, armaments and alliance autonomy, should show an increasing trend from the observed change in environment variables. But only defense spending from the type armament and Host Nation Support from the type alliance autonomy increased. But the scope of Japan's role in the Article V emergency from the type armament, and granting right to station forces in Japan and the scope of Japan's role in the Article VI emergency from the type alliance autonomy did not increase. Although all elements of alliance contributions did not have to increase even if the model predicts alliance contributions should show an increasing trend as a whole, it seems that alliance contributions did not change much as I expected from the model and the change in environment variables. Why did they not increase much?

There is a possible explanation, assuming that the decision was rational according to the model, given the change in exogenous variables. There were environment variables which did not change and as a result I expect which did not lead to increase or decrease of alliance contributions. However, if the effects of those environment variables to constrain increase (or decrease) of alliance contributions are already strong, alliance contributions do not change much even if there are the environment variables which I expect would lead to increase (or decrease) of alliance contributions.<sup>213</sup> In this situation, if alliance contributions should increase, that increase should come from the most efficient way to increase utility, which was the increase of Host Nation Support and defense spending during the 1970s and 1980s, when there was an increase in financial resources.

There are two possible effects of diversification in terms of types of alliance contributions in the 1990s. First, diversification in alliance contribution may save cost and increase efficiency for Japan, since it would become unnecessary to contribute significantly in one element of contributions (for example, Host Nation Support) to compensate for the conspicuous lack of contribution in another category. Second, it may increase effectiveness of alliance contributions for the alliance, since it would be possible to form a more effective set of alliance contributions to increase the effectiveness of the alliance (for increasing security), if there is less of constraints when forming a set of alliance contributions.<sup>214</sup>

#### 6-4-2 Observation by the policy process model on alliance contributions

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<sup>213</sup> I may be able to think that some of alliance contributions have constraints, which the model did not take into account, such as constitutional constraint. But I do not necessarily have to treat those as fixed constraint, since there is a democratic procedure to revise that.

<sup>214</sup> It may increase a conflict between characteristics of alliance contribution and the basic principle of the nation – peace-desiring and war-renouncing nation as stipulated in Japan's Constitution. Three basic principles of Japan's Constitution are the sovereignty for the people, pacifism, and respect for basic human rights.

There is a correspondence in terms of the timing of change between the pattern of change in alliance contributions and the pattern of change in environment variables, by looking at Figures in section 3. The change in alliance contributions during the 1990s was *discontinuous* as opposed to being incremental as is typical of Japan's defense policy. The size of HNS stopped growing, and various other kinds of alliance contributions increased for the first time. I may be able to interpret that the change in the pattern of change in environment variables during the 1990s is *discontinuous* as well and that brought about the discontinuous change in the pattern of change in alliance contributions.

I explained one reason from the economic model above on the relationship. I provide another and complementary explanation, drawing on the concept of setting of "agenda" in policy making process (see p.36 in Chapter 3). The point is that both the rational reaction interpretation and the explanation based on the characteristics of policy making process are important for understanding the whole picture.

Incremental and continuous policy change characterized the change in alliance contributions during 1970s and 1980s. Aaron Wildavsky (1964) explains "(budgetary) incrementalism" as follows:<sup>215</sup>

"Budgeting is incremental, not comprehensive. The beginning of wisdom about an agency budget is that it is almost never actively reviewed as a whole every year in the sense of reconsidering the value of all existing programs as compared to all possible alternatives. Indeed, it is based on last year's budget with special attention given to a narrow range of increases or decreases." (p.15)

"Every criticism of traditional budgeting is undoubtedly correct. It is incremental rather than comprehensive; it does fragment decisions; it is heavily historical and looks backward more than forward; it is indifferent to objectives; and it is concerned about the care and feeding and control of organizations, their personnel, space, maintenance, and all that. Why, then, has traditional budgeting lasted so long? Because it has the virtue of its defects." (p.221)

"Incrementalism," as Wildavsky explained as to budgetary decisions (see p.40 in Chapter 3), characterized not only alliance contributions during the 1970s and 1980s but also Japan's defense policy itself, since alliance contributions comprise the core element of Japan's defense policy. One book written in the early 1990s explains the "incrementalism" of Japan's defense policy as follows:<sup>216</sup>

"Japan's avoidance of major rearmament and making incremental adjustments to existing defense constraints will continue so long as the U.S. security guarantee remains valid" (p.166).

"The general aversion of the ruling party, the opposition parties, and the public to dealing with defense issues and their desire to avoid conflict ensure that the formation of defense constraints, and changes in them, will be incremental rather than drastic in nature." (p.170)

"So far both the U.S. and Japanese governments have favored continuing Japan's military dependence upon the United States. Such dependence facilitated the establishment and maintenance of constitutional and defense policy constraints in Japan and their subsequent

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<sup>215</sup> Aaron Wildavsky, *The Politics of the Budgetary Process*, 1964, Third Edition (1979), Little, Brown and Company: Boston.

<sup>216</sup> Keddell, Joseph P., *The Politics of Defense in Japan: Managing Internal and External Pressures*, M.E.Sharpe: Armonk, 1993.

incremental adjustments for domestically and bilaterally managing political conflicts over defense.” (p.202)

Was there any change in the assumption of the statement above? I argue I could discuss Japan’s policy on alliance contributions during the 1990s, using the concepts on agenda-setting, by asking such questions as: what were the problem stream, policy stream, and politics stream for Japan’s defense policy during the 1990s? Or, did the “coupling” of those streams take place and did the “policy window” open as a result so that the government’s policy on alliance contributions can make a discontinuous change?

In the case studies on alliance contributions on five periods on HNS, I pointed out the role of “triggering events” such as rapid appreciation of yen to dollar or crisis in the Middle East for pushing the government to make the key decisions on the Host Nation Support program. “Triggering events” in each of the decision of HNS played the important role of strengthening “problem stream” so that the HNS became the decision agenda for the government at the time, if I use the Kingdon’s term on agenda setting. But the change in the 1990s was wider than those decisions on HNS in terms of the number of changes and discontinuity from the past. So I presume that the coupling of the streams on a wider scale in a sense that it affected the wider areas in Japan’s defense policy would have realized the change during the 1990s. For example, the problem stream should have been broad enough to generate changes that cut across elements of alliance contributions. In order to argue so, I explain briefly each of those streams for Japan’s defense policy during the 1990s.

#### 1) Problem stream (definition of problem)

How did the government recognize, define and formulate the problem during the 1990s? First problem emerged during the discussion on “international contribution (*kokusai kouken*)” during and after the Gulf war in 1991. This is a problem on how to contribute to international peace and safety as a responsible country while maintaining Japan’s constitutional principle of “peaceful nation.” Sotooka et al. explained that “the questions for Japan that the Gulf war brought up for Japan was how Japan should respond to the international emergency situation that is not directly related to Japan’s safety.”<sup>217</sup> One political scientist, Berger (1998) analyzed the situation and policy problem for Japan (and Germany) after the Gulf War as follows:<sup>218</sup>

The Gulf War thus can be legitimately regarded as a watershed in the history of post-1945 German and Japanese debates on defense and national security. In its wake the mainstream elites of both nations came to realize that they had to face up to new realities calling for a departure from the decision-making patterns that had become established over a period of decades. ... In the case of Japan, the question was whether the SDF should be allowed to operate beyond the limits of the nation’s immediate territory and the one thousand-nautical mile corridors through which its sea lanes run.

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<sup>217</sup> Sotooka, et al., p.444.

<sup>218</sup> Berger, Thomas U., pp.177-178.

Another political scientist, Tanaka explained the situation and problem for the 1990s that “it was not necessary for Japan to involve itself in a military conflict actively during the Cold War. During the Cold War, maintaining and upgrading the defense posture of Japan contributed to the safety of the Western Bloc and stability of the international society, and beyond that Japan could expect the U.S. to maintain the security in the world. But when the Cold War was over and there was no military threat from the Soviet Union, Japan realized that she could not assume anymore that maintenance of security in the world is other people’s business.”<sup>219</sup> In case of the invasion of the Soviet Union forces from the northern part of Japan, Japan could expect support from the U.S. But in case of the attack from North Korea, the U.S. would expect Japan to play a more active role in supporting the U.S. forces.

Second issue was nuclear and missile threat from North Korea in 1993 and 1994, and problem was what to prepare for the emergency on the Korean Peninsula, including a legal framework for the SDF to support the U.S. forces. There was a “window of vulnerability” (p.92, Allison and Zelikow) in this period.<sup>220</sup> According to Ishihara Nobuo, then the Deputy Cabinet Secretary, the Japanese government lacked a preparation for the emergency on the Korean Peninsula. He stated in an interview on the situation in 1993 and 1994 that “speaking honestly, the Japanese government at the time did not have any preparation at all to the degree that I thought I did not have any idea what to do if an emergency broke out on the Korean Peninsula. Preparation of the legislation related to the emergency of that type did not go very smoothly in the Diet. We were afraid that the situation in North Korea would proceed very rapidly.”<sup>221</sup> Sotooka et al. explained on this problem that “the question that the crisis on the Korean Peninsula in 1993 and 1994 asked Japan was how Japan should respond to the international emergency situation that affects Japan’s safety.”<sup>222</sup>

Those two problems are different but connected. The first problem is related to the emergency that does not directly affect Japan’s safety, while the second problem is related to the emergency that directly affects Japan’s safety. The second problem needs a quicker action than the first one, since the emergency in North Korea was imminent at the time. Although the problem was different, the government could apply the policy innovation for solving the second problem to the solution of the first problem, since both needs consideration on the Constitution and the role of the Self Defense Forces for the emergency other than a direct attack on Japan. In either case, it was not

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<sup>219</sup> Tanaka, Akihiko. p.310. (in Japanese).

<sup>220</sup> The Great Hanshin-Awaji Earthquake in January 1995 and the sarin gas attack by members of the Aum Shinrikyo on Tokyo subway in March 1995 also made the general public realize that there was a window of vulnerability. In the Earthquake, 6433 people died (<http://www.hanshin-awaji.or.jp/kyoukun>), and in the Sarin gas attack, 12 people died.

<sup>221</sup> Sotooka et al., p.464. He was the Deputy Cabinet Secretary between 1987 and 1995, which is the top post in the Japanese government for career-track government officials.

<sup>222</sup> Sotooka et al., p.447.

possible to avoid the problem or postpone the deliberation. It was necessary for the Japanese government to tackle the problem and find a solution for itself urgently.

What is the difference between the policy problem during the 1990s and before the 1990s? The policy prescription in the 1980s needed only incremental change, especially in terms of the use of the Self Defense Forces beyond the Constitutional constraint at the time. For example, the analysts identified the problem for Japan at the start of the 1980s as decline of the U.S. power and the solution was “comprehensive security policy,” which was a combination of increase of defense spending, strengthening of the alliance with the U.S., and consideration of economic security, for example, efforts to decrease dependence on oils in the Middle East or to diversify energy sources. There were also reports on defense policy in the 1980s including “The Report on Comprehensive Security” prepared by the Comprehensive National Security Study Group (created by Prime Minister Ohira Masayoshi, July 1980) or “the Report on Security Policy for the 1980s” prepared by the Foreign Ministry’s Security Measures Planning Committee (July 1980). According to Radha Sinha, “The common theme of the above reports is that ‘We are living in an age when “Pax Americana” is nearing an end without any substitute order taking its place. ... It is stressed that in the changed situation when the military as well as the economic power of the USA has suffered a relative decline, ‘the days are gone when Japan could count on a system maintained single-handedly by the United States, be it in terms of military security, politics and diplomacy, or the economy.’” (p.229)<sup>223</sup> Those reports “support the idea of strengthening the defense capability and reinforcing the Japan-U.S. security arrangement. ....However, there is a clear recognition of the fact that the security in its narrow sense ... will not be enough in coming years. Economic security, i.e. uninterrupted access to the sources of raw materials, fuel and food has to be a major component of a “Comprehensive Security Policy.” (p.229)

## 2) Politics stream

Kingdon identifies that “swings of national mood, election results, changes of administration, changes of ideological or partisan distributions in the Congress, and interest group pressure

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<sup>223</sup> Radha Sinha, *Japan's Options for the 1980s*, St. Martin's Press: New York, 1982. Another analyst wrote the same observation on the problem for Japan's defense policy for the 1980s. (Martin E. Weinstein, “Trends in Japan's Foreign and Defense Policies,” pp.155-189, in *Japan and the United States: Challenges and Opportunities*, edited by William J. Barnds, 1979.) According to Weinstein, different from 1950 and 1960s when “there were pro-American, politically conservative Japanese, staunch defenders of the Security Treaty, who were concerned that American military predominance in the Western Pacific ... could lead to an unnecessary war into which Japan would have been unavoidably drawn,” ... “In 1978 the questions in the minds of Japan's ruling conservatives are of an entirely different order. These men are still pro-American, and they still support the Security Treaty, but they wonder whether the treaty and the American forces which stand behind it are adequate for Japan's defense. Given the changes that occurred as a result of Vietnam and Watergate in America's world outlook, in congressional and bureaucratic attitudes toward overseas military interventions, and, perhaps most importantly, the shrinking of American military strength in the Western Pacific, Japanese now wonder what the Mutual Security Treaty means to the United States, and what it will mean in the 1980s.” (p.157)

campaigns (p.162)” have effects on politics stream. In case of Japan, “national mood” on security issues changed during the 1990s. People became more conscious of their safety. For example, in opinion poll conducted by the Prime Minister’s office, 50.6 percent during the 1980s and 59.7 percent during the 1990s on average answered that they are interested in issues on security or defense policies.<sup>224</sup>

There was also a change in the Diet. Tanaka explained on the change in Japan’s Diet on security issues that “it became easier to discuss security issues frankly compared to before. There is no taboo on discussing the issues related to the Constitution. There had not been a committee in the Diet specializing in security issues. In 1980, special committee on security was established in the House of Representatives, but there was an agreement at the request of the Socialist party that the committee does not discuss bills. In 1991, the Committee on Security was established in the House of Representatives.” (p.347, Tanaka)<sup>225</sup> If the status of the committee becomes upgraded to a permanent one and the security issues attract attention from the reasons which I discussed on problem stream, more Diet members would be interested in becoming the members of the committee on security, and participating in a serious discussion on security issues, which increases the expertise and understanding among the Diet members on security issues.

The more fundamental change in the political landscape was the end of the Liberal Democratic Party (LDP)’s rule after the 38 years (since 1955) in 1993, which I could call “changes of ideological or partisan distributions.” The Hosokawa administration in 1993 was the coalition government, which was composed of the Japan New Party (leader: Hosokawa Morihiro), Renewal Party (Ozawa Ichiro), New Harbinger Party (Takemura Masayoshi), Japan Socialist Party (Murayama Tomihiro), Komei, Democratic Socialist Party, and Social Democratic League. The LDP returned to the governing party in 1994, but the Murayama administration was the coalition government of the LDP, the Japan Socialist Party and the New Harbinger Party. Murayama was the leader of the Japan Socialist Party and he revised the Socialist Party’s defense policy on the constitutionality of the Self Defense Forces while he was Prime Minister. As a result, the Japan Communist Party became the

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<sup>224</sup> Sum of percentages of the people who answered “yes” or “fairly” to the question that asked if you are interested in defense and security policies: 47.7% (1978), 49.6% (1981), 50.3% (1984), 54.8% (1987), 67.3% (1990), 56.7% (1993), 57.0% (1996), and 57.8% (1999). I calculated the average of the 1980s from the first four numbers, and the average of the 1990s from the last four numbers. Prime Minister’s Office, “Jietai To Boei Ni Kansuru Seron Chosa” (Opinion Survey on Self-Defense Forces and Defense of Japan), various years.

See also p.138 on the result of the opinion poll related to Japanese perception on security.

<sup>225</sup> Tanaka, 1997. p.347. At present, at the House of Representatives, the Committee on Foreign Affairs (Gaimu Innkai) discusses issues related to the Ministry of Foreign Affairs (MOFA), and Committee on Security (Anzenhosho Inkai) discusses issues related to the Japan Defense Agency (JDA) and the Security Council. At the House of Councillors, the Committee on Foreign Affairs and Defense (Gaiko-Boei Innkai) discusses the issues related the MOFA, JDA, and the Security Council. Before 1998, the Committee on Cabinet (Naikaku Inkai) discussed the issues related to the Japan Defense Agency and other government agencies under the Cabinet Office as a permanent committee.



only opposition party on defense issues (see p.135). Berger analyzed the political change during the 1990s as follows:<sup>226</sup>

“In Japan, the defense debate among the political parties was complicated by the long-anticipated yet quite unexpected end of thirty-eight years of LDP rule, brought on by a combination of factors that made for a split within the ranks of the party and by long-term trends predating the end of the Cold War. The resultant reorganization of the Japanese political landscape blurred many of the traditional lines between the Left-idealist, Centrist, and Right-idealist positions and held out the promise of dispelling Japan’s long-held fears vis-à-vis its armed forces.”

### 3) Policy stream (generation of policy proposals)

The policies during the 1990s related to Japan’s alliance contributions include the conclusion of the new Guideline for Defense Cooperation with the U.S., conclusions of new HNS agreements with the U.S., enactment of the new National Defense Program Outline, the enactment of the Peace Keeping Operations Bill, or negotiation on the return of military bases in Okinawa with the U.S. Kingdon observed that “We repeatedly found that agenda setting is affected by the visible cluster of participants, while the generation of alternatives occurs more in the hidden cluster (p.69, Kingdon).” This observation applies to the case of Japan’s defense policy during the 1990s. Government officials made those policies in the “hidden cluster,” reflecting first lack of expertise on security issues outside the government and second the character of policy area – defense and national security – which limits open discussion outside the government with enough information to generate serious policy proposals. In addition, when the consensus among the public is necessary, the government officials plus members of the special advisory group established by the government, whose members were defense and non-defense specialist, businessman, scholars, journalists, etc., discussed the issue. This was not different from the generation of policy proposals on defense policy before the 1990s, for example, policy making on the National Defense Program Outline under the Director General of the Japan Defense Agency, Sakata Michita, in 1976 (discussion at the independent advisory group under the Director General Sakata, “Bouei wo Kangaeru Kai” (“Committee to Consider Defense”)<sup>227</sup>).

I could interpret that those three streams joined, or “coupling” took place during the 1990s, according to the model. As a result, large scale or discontinuous (or, sudden) policy change materialized.

The government did not examine most of those policy issues before the 1990s, and started to discuss during the 1990s. At least there was no consideration in the early 1990s on the Guideline related to Article VI of the U.S.-Japan Security Treaty. So the “coupling” was not a “policy pull”-type but a “problem push”-type policy making, being promoted by a favorable political atmosphere, if I

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<sup>226</sup> Berger, Thomas, 1998. p.183.

<sup>227</sup> Keddell explained on the Committee to Consider Defense that “In essence, the committee had little new to offer. Its primary function appears to have been to legitimize the already existing governmental consensus on how to limit Japan’s defense buildup.” Keddell, Joseph P., 1993. p.55.

use the analogous terms from the “demand pull or technology push” debate in technology policy for explaining technological change and innovation.<sup>228</sup> Problem stream is the most important during the 1990s, and second the politics stream, and finally policies stream are important as a driving force, for the “coupling” to take place.

#### 6-4-3 Alliance contributions models and the changes in Japan’s alliance contributions

What is the relationship between this “1990s policy process” and the logic of the economic alliance contributions (see p.104 on HNS)? The issue does not become the problem in the economic model, different from the policy making process. Problem in the model is a utility maximization, while problem in the process is “pressing in on the system” (p.37 in Chapter 3) and government officials come to pay attention to the problem by indicators or crisis (“focusing event”).

To solve the problem in the latter usage would usually lead to the increase of utility, so can contribute to solving the problem in the former usage. But it is not necessarily so. The government cannot solve the problem only by a coupling of the 3 streams in a policy-making process, without rationality condition.

One reason why the outcome derived from the two models can be different is that because there are elements omitted from the utility function such as cost for discussing the agenda and deciding on policies. Another reason is that the government policy making involves multiple players different from the single-player assumption of the rational action model. It would be reasonable to think that the negotiation and bargaining among those multiple players become more difficult when the policy change is a discontinuous one. This is the difference of output of the policy making process in Model I and Model III if I use Allison’s terms (see p.104 on HNS; and see p.40 on Allison’s discussion). In case of the change in alliance contributions in the 1990s, I could argue that both conditions, 1) conditions to bring about “decision agenda” and 2) rationality of policies to increase utility of Japan, were met.

In Part II of this study, I did a case study on Japan’s alliance contributions including HNS microscopically and various types of contributions macroscopically, with the purpose of showing validity and utility of the alliance contributions models, which I described in the Part I of the study. I found that the alliance contribution models described the decisions on Japan’s alliance contributions well in that 1) direction of change for alliance contributions which the model suggested from the

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<sup>228</sup> Mowery, David and Rosenberg, Nathan, “The Influence of Market Demand on Innovation: A Critical Review of Some Recent Empirical Studies”, *Research Policy*, 81, pp.103-153 (1979). Christopher Freeman, “Schumpeter or Schmookler,” in C. Freeman et al., *Unemployment and Technical Innovation: A Study of Long-Waves in Economic Development*, Pinter: London, pp.35-43, 1982.

actual change in environment variables and the direction of change of alliance contributions that actually took place did match, and 2) the economic model and the policy process model on alliance contributions complement each other's perspective to explain the change.

*Part III:*

*Application*



## *Chapter 7*

### *Policy analysis on alliance contributions (mid-to-long term analysis)*

In Part III, I explore how to use the conceptual framework on alliance contributions for analyzing policy options. There are two kinds of applications of the conceptual framework for policy analysis: the current and the future. As to the current situation, the question is “what characterizes the current situation and how to change alliance contributions to cope better with it? What would be the policy to induce other allies to proceed to that direction?” As to future situation, the question is “what may characterize the future situation? What may be the path of alliance contributions? What would be the policy to induce an alliance to proceed to the desirable path, taking into account uncertainty in the future situation?”<sup>1</sup> I explore the future situation (mid to long term: 10-20 years) as a general case in this chapter, and explore the current situation as a specific case on the Host Nation Support program (short-term) in the next chapter.

In this study, I perceive as the problem lower amount of or less desirable type of alliance contributions (mismatch between what one ally provides to the alliance as alliance contributions and what another ally perceives as beneficial alliance contributions to her). Two sources of the problems are: 1) the result of utility maximization process of one ally when environment changes, and 2) the result of the setting of new agenda (to increase/decrease contribution) in one ally as the agenda setting model suggests. The solution would be to influence the two processes in a way to promote the provision of alliance contributions (more amount of more desirable type of alliance contribution) to a degree that it is possible.

In this chapter, I explore how to translate the conceptual framework on alliance contributions in Part I and Part II into the framework on policy analysis to influence and motivate allies’ provisions of alliance contributions. There are four analytic steps. I explain each of them in the following sections.

- 1) What are plausible changes in environment to affect alliance contributions?
- 2) What are plausible changes in the three streams (problem, politics, and policies) to affect agenda setting process on alliance contributions?
- 3) What are plausible changes in alliance contributions, given change in environment and agendas? What are plausible future trajectories or paths for the expansion or contraction of alliance contributions?

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<sup>1</sup> Although Graham Allison provided three types of conceptual models on policy-making, he did not apply those models to the analysis for solving the then-current policy problem. It would have taken one more volume of analysis.

4) What are policy alternatives to steer the alliance contributions path into a desirable direction, given plausible change in environment and agenda-influencing streams, assuming the direction of effects of those changes on alliance contributions based on the conceptual models in Part I and Part II?

Possible policy prescription for the purpose of affecting the alliance contributions of allies based on the discussion above would be both to affect the conditions for the increase or decrease derived from the model and to utilize (or make) triggering events to affect policy process.

Although it would be beyond the scope of this chapter to elaborate all the elements of plausible changes in environment and alliance contributions, I intend to show how to use the analytic framework to approach the problem of recalibrating alliance contributions, using the example of the U.S.-Japan alliance relationship.

#### 7-1. Environment

First, I explain the trend in environment that is related to the future trend of Japan's alliance contributions. I look at the aspects of the future environment which I consider are relevant in Part II. Please look at Appendix 1 (p.287) on the content and judgment criteria for each environment variable. I examine the change in environment in a mid to long time span in this chapter. Based on the criteria I used in Part II, I examine what kind of change in each environment variable is plausible, and what would be the effect of the change on alliance contributions.

While examining plausible change in environment, I also explore in this section whether it is possible for policy-makers in charge of national security and foreign policy to affect the change, that is, to set up policy levers linked to the change.

The purpose of this section is not to provide a prediction on environment on all aspects for the alliance. While it would be possible to predict some aspects with more confidence, it would be impossible for other aspects with more uncertainty. Rather, this is an exercise for exploring the possibility and for avoiding surprises in the future, by applying the analytic framework in Part II for doing policy analysis. By making the exercise, it may become possible to prepare for the possibility or surprises, and to come up with a way to influence now the direction of the change, if possible and necessary. In other words, the environment variables in the alliance contribution models could be considered as a system of indicators for monitoring the fundamentals on alliance cooperation (or, contributions).<sup>2</sup> Possible “fault lines” for the realization of the plausible path of alliance contributions are discussed in section 4.

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<sup>2</sup> Lempert et al. explained that the goal of “Long Term Policy Analysis” is “to discover near-term policy options that are robust over a wide range of futures when assessed with a wide range of values. Robust strategies will often be adaptive – that is, they will be explicitly designed to evolve over time in response to new

### 7-1-1. Wealth

Japanese economy stagnated during most of the 1990s. It is beyond the scope of this study to predict whether the Japanese economy will make a recovery or continue stagnation in the next 10 to 15 years. But the studies below show the slow growth for the next 10-20 years. I consider it outside the scope of the influence of policymakers who are interested in the change of alliance contributions to influence the change in this aspect of environment.

The study on long-term economic change in Asia by Wolf et al. (2000) forecasted the average annual growth rate of Japan's GDP would be 1.56% (2005-2010) and 1.62% (2010-2015), assuming that total factor productivity (TFP) would be 0.4% between 2010-15, which is an increase from minus 2.1% in the mid-1990s according to this study's estimate. The study pointed out that current Japanese economy's problems were "structural rather than cyclical" and the change would continue to be "difficult and slow." The structural aspects include 1) industrial system, 2) banking system, 3) regulatory system, and 4) demographic trend. The authors judged that current efforts (loosened monetary policy, increasing levels of public spending and modest degree of deregulation) are insufficient to deal with those fundamental problems.<sup>3</sup>

The Economic Planning Agency's study group (2000) and the Bank of Japan's study group (2003) also forecasted low growth rates of Japan's economy. The interim report of the "Study group on the economy with decreasing population" of the Economic Planning Agency projected that annual average GDP growth will be 1.5% (2010-2020) and 1.4% (2020-2035), assuming that annual increase rate of TFP is 1.5% and current projection of the population.<sup>4</sup> The paper from the Bank of Japan stated that "macroeconomic growth rate declines slowly, becoming negative as we enter the 2020s," assuming that TFP is 0.5% and current projection on population change. "The reasons for macroeconomic growth turning negative are: i) the decrease in the number of those in

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information." Robert Lempert, Steven Popper, Steven Bankes, *Shaping the Next Hundred Years*, p.7, MR-1626, RAND, 2003. The analysis in this study does not allow the construction of the model that can be run on a computer as in their study. Another difference is the U.S.-Japan alliance is already intended as a robust measure for coping with future uncertainty, while Lempert study seeks to find the robust strategy, for example spending on R & D, to cope with uncertainty in natural environment, development, or demographic change in the world. The analogy would be how to influence another country's spending on international R & D cooperation project, which is already the part of robust strategy to cope with uncertainty in natural environment.

<sup>3</sup> Wolf, Charles, Jr., Anil Bamezai, K.C. Yeh, and Benjamin Zycher, *Asian Economic Trends and Their Security Implications*, RAND, MR-1143-OSD/A, 2000, pp.25-34; Chapter 33 "Long-term Prospects for Japan," July 2000, in Charles Wolf, Jr., *Straddling economics and politics: cross-cutting issues in Asia, the United States, and the global economy*, RAND, 2002.

<sup>4</sup> Study Group on the Economy with Decreasing Population, Economic Planning Agency, *The interim report of the "Study group on the economy with decreasing population,"* June, 2000 (in Japanese), pp.7-8.



employment; and in addition ii) the decline in capital accumulation caused by the fall in the saving rate and the decrease in the number of those in employment.”<sup>5</sup>

#### 7-1-2. Autonomy

There will be no change in land spaces, except for the return of the Northern Territories, which the Soviet Union and later Russia has been occupying since 1945, from Russia to Japan.<sup>6</sup> The ground forces of Russia have been stationing in the Northern Territories since 1978.<sup>7</sup> Whether to support the diplomatic effort of the Japanese government can be a policy lever for the U.S. However, its effect on alliance contributions would be insignificant, because of the territories’ limited military value.<sup>8</sup>

The situation on monetary resources will be the same as stated in 1) above.

Concerning Japan’s maneuverability in foreign relations, or the size and quality of policy decisions in foreign relations a country can make in a way that is valuable to alliance members (p.26), there are several issues. First issue is whether Japan will become a permanent member of the United Nations Security Council. If Japan becomes a permanent member, the vote in the Council increases Japan’s power to influence the decision on international peace and security. For the U.S., it is possible to influence this change by supporting the current Japanese government’s diplomatic efforts.<sup>9</sup> Second issue is that the Japanese government may change the current interpretation on the

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<sup>5</sup> Kozu, Takashi, Yoshiko Sato, Masakazu Inada, *Demographic Changes in Japan and their Macroeconomic Effects*, Bank of Japan Working Paper Series, September 2003, p.25.

<sup>6</sup> Ministry of Foreign Affairs, Japan’s Northern Territories, <http://www.mofa.go.jp/region/europe/russia/territory/> on the history of this territorial problem.

<sup>7</sup> Defense Agency, *Defense of Japan*, 2004, Chapter 1, Section3-4. “Russian Forces in the Northern Territories.”

<sup>8</sup> According to the report of the U.S. Congressional Research Service, “The disputed islands now have only limited economic and military value. Their significance for both Russia and Japan is primarily symbolic.” But the Russian military opposes to the return since, “Returning the islands to Japan, they argue, would deprive the Russian Navy of control of important passages between the Pacific and the Sea of Okhotsk, impeding naval movements in the event of war and, perhaps more importantly, giving hostile naval forces, especially anti-submarine warfare units, access to the Sea of Okhotsk, which they have long regarded as a secure bastion for their ballistic missile-launching submarines.” So as a policy proposal to the U.S., the report argued that “The United States, together with Japan, might offer Russia specific guarantees, such as restrictions on their naval deployments and operations in the Sea of Okhotsk, so that Russian security in the Asia-Pacific region need not be undermined by a change in the status of the disputed islands..” Stuart D. Goldman (Foreign Affairs and National Defense Division), *Russian-Japanese Impasse and Its Implications*, Congressional Research Service Report for Congress, March 10, 1993.

<sup>9</sup> Message from Prime Minister Hashimoto and President Clinton to the Peoples of Japan and the United States: Meeting the Challenges of the 21st Century, Tokyo, April 17, 1996, stated that “5. The governments of Japan and the United States will join in bringing about meaningful reform of the United Nations system, including financial reform, reform of economic, social and development programs, and reform of the Security Council, to make the United Nations more effective. They will work with other UN members to achieve a broad framework for reform by fall 1996. In this context, the United States strongly supports the addition of Japan as a permanent member of the Security Council.” (<http://www.mofa.go.jp/region/n->

Constitution and allow the exercise of right of collective defense. The government interprets now that Japan possesses the right but the Constitution does not allow its exercise. This will increase the choices for Japan for supporting the U.S. during emergencies. In other words, Japan's autonomy increases as a result of lifting a self-imposed constraint.<sup>10</sup> The U.S. might influence this change by urging the Japanese government to make a decision. But this is a controversial issue and the Japanese government does not like the public in Japan to think that it makes the decision on the Constitution because of a foreign influence.

#### 7-1-3. Armament (spillover)

This can be a policy lever for the U.S., but it seems inappropriate and unrealistic to decide the size of defense spending, which is considered to be as (impure) public goods for alliance members, based on its effect on defense efforts of allies. However, it would be important to explain the content and intention of defense spending to allies so that they do not under-invest on their own defense as a result of the increase of U.S. defense spending.

#### 7-1-4. Alliance autonomy (spillover)

In the conceptual framework in Part II, I treated this variable as a given for the Japanese government when it decides the size and type of alliance contributions to increase its utility. For the U.S., this can be a policy lever. But the alliance commitment is the core of the alliance relationship. It is necessary to be firm on the commitment to maintain the reliability of the alliance.

But it is possible to change the perception of the U.S. commitment by the Japanese, without using the policy lever itself. The purpose is to make Japan's perception on the U.S. commitment reflect the reality. If the scope of the U.S. commitment as perceived by Japan is larger than the reality, the result is an incentive for Japan not to contribute enough to the alliance.

#### 7-1-5. Cost of armament

This is the relative "cost of adding a marginal unit of military capability to the military force for a country" (Appendix 1). This is likely to increase for Japan for two reasons. First reason is its restrictive procurement and arms export policy, when defense technology becomes more advanced and size of defense production becomes smaller. The report by the Japan Business Federation (2004) pointed out that defense-related technology has become more advanced and countries have been increasing cooperation with other countries in R & D and production since the late 1990s in order to

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america/us/relation/visit\_C/message.html). Nixon was the first president to support Japan's becoming a permanent member of the UN Security Council. (Deming, 2004, p.57)

<sup>10</sup> See the explanation on "autonomy" in Chapter 3 on self-imposed constraint on autonomy by the Constitution.

share the burden and increase efficiency.<sup>11</sup> In this trend for wider international cooperation in research, development and production of defense equipment, the report pointed out that while the procurement budget has been decreasing in Japan, the policy to ban arms export virtually prohibits the participation of Japanese firms in international cooperative projects.<sup>12</sup> This export policy plus Japan's procurement policy that prioritizes domestically developed and produced weapons<sup>13</sup> make the cost for developing and procuring increasing expensive military equipment even higher.<sup>14</sup>

Second reason is that the number of younger population will decrease in Japan. Figure 7.1 shows that the size of younger population will decrease between 2000 and 2020, while the size of older population over retirement age (60-65) will be the same as the present or more. Figure 7.2 shows the ratio of the population of 2000 to the population of 2020 for each age. The ratio is around 80 percent for the whole working population and children, and is around 100 percent or more for the population after retirement age. At present, Japan's Self Defense Forces recruit population of 18-26 years old for military personnel. The cost for recruitment and labor would become more expensive in Japan.<sup>15</sup> But the production of goods and services in civilian economy will be less expensive than that in defense area, since it is easier or possible in the civilian sector to increase the participation of women, people after retirement age, and foreigners, or labors in foreign countries by foreign direct investment. So the cost in maintaining and building up the military force will become relatively more expensive. In addition, the trend of the cost of armament will increase in Japan, compared to other countries to which the above two conditions do not apply, for example, the United States.

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<sup>11</sup> Advanced technology increases cost as well as military effectiveness. The latter may be larger than the former.

<sup>12</sup> Japan Business Federation (Nippon Keidanren), *Kongo No Bouniryoku Seibi No Arikata Ni Tsuite* (On the Posture of the Future Defense Build-up), July 20, 2004, Section 1, (3).

<sup>13</sup> See Figure 6.13 (Size of defense procurement and its domestic share) (p.126).

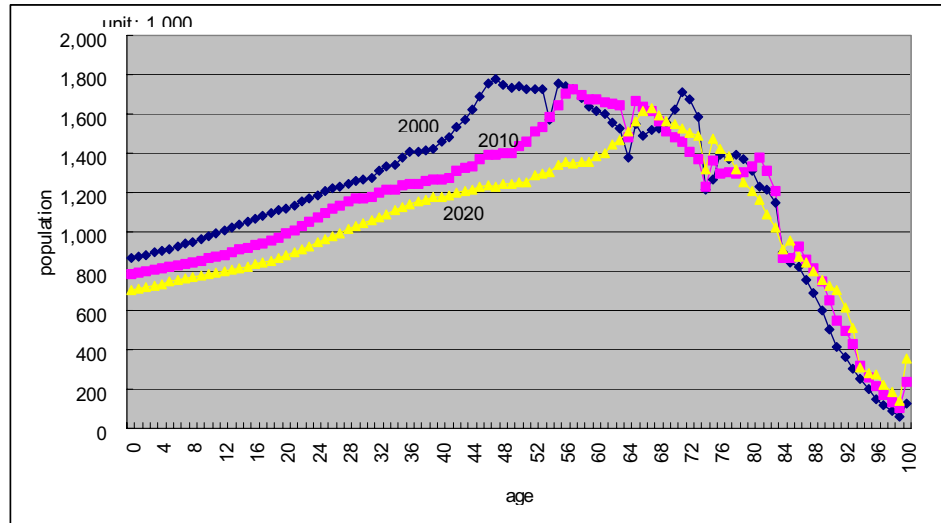
<sup>14</sup> Since technology is developing, the cost may be decreasing, when taking into account technology advance (quality of a good).

<sup>15</sup> Wage is equal to marginal product of labor. For the production function  $Q$ , the wage satisfies the second equation below.

$$Q = Q(K, N, \gamma) \text{ (Q: output, K: capital, N: labor, } \gamma: \text{ technology)}$$

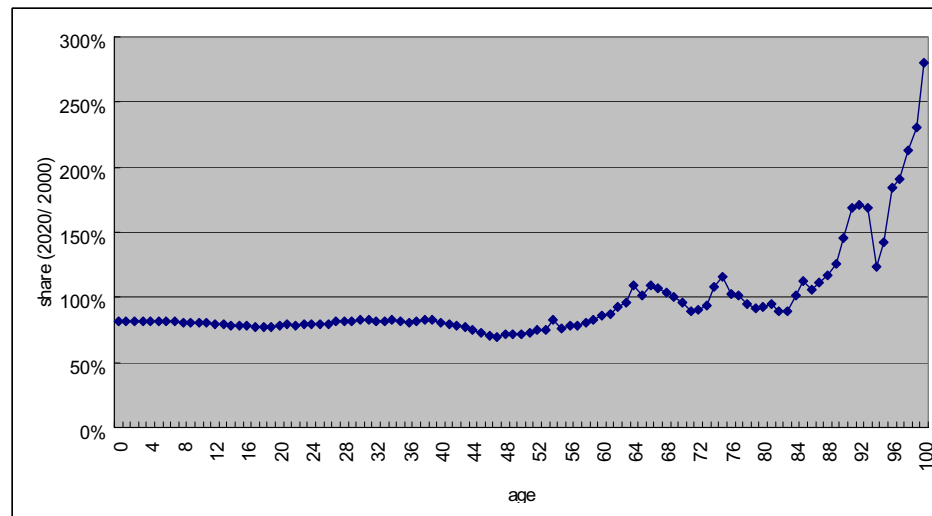
$$\frac{w}{p} = \frac{\partial Q}{\partial N} \text{ (w: wage, p: price level)}$$

If  $N$  decreases,  $\frac{\partial Q}{\partial N}$  increases, since marginal product of labor is a decreasing function. In addition, if  $K$  increases,  $\frac{\partial Q}{\partial N}$  increases, too.  $K$  will increase if net savings rate, which accounts for depreciation, is positive, even when the average savings rate decreases as the population ages. So wage increases, when not accounting for the effect of technology progress and other conditions such as immigration policy.



Source: Data is from National Institute of Population and Social Security Research, *Population Projection for Japan*, January 2002

Figure 7.1 – Population for each age (0 - 100+) in Japan in 2000, 2010 (projection) and 2020 (projection)



Source: Data is from National Institute of Population and Social Security Research, *Population Projection for Japan*, January 2002

Figure 7.2– Ratio of the projected population in 2020 to the population in 2000 in each age (0-100+) in Japan

According to the economic model on alliance contributions (see p.23 in Chapter 3), this trend leads to increase of attractiveness of alliance compared to its own defense build-up as a means for increasing security. If Japan moves in this direction because of decreasing younger population, it might be possible to make a case for asking the burden of basic pay for U.S. military personnel stationing in Japan in the future. Or, if Japan moves to strengthening the alliance without increasing

the investment on strengthening military forces because of the cost increase as I discussed, it might be possible to ask more contributions in other areas such as financial contributions or participation in international coalition forces overseas.

It would be difficult for Japan to change its current arms export policy, or to allow firms to sell weapons in an international arms market, although it is constitutional since selling weapons is not the “use of forces” which the Constitution prohibits. As a result, the cooperation with the U.S. in this area, cooperation in technology and product development, would be restrained to a certain degree.

One policy lever for the U.S. to influence the price of weapons for Japan, so that Japan would not under-invest on its military forces, would be to encourage the Japanese government to procure more foreign-developed weapons.

#### 7-1-6. Cost of alliance autonomy

Will there be a political shift from the center right to the center left in Japan? Will the opposition party, for example, the Democratic Party of Japan (DPJ), become more popular than the Liberal Democratic Party (LDP)? Although the DPJ won the last election in the House of Councilors in 2004,<sup>16</sup> it is uncertain which political party is more likely to have a majority in the Diet and to be able to form a cabinet for the next 10 or 20 years. It is also uncertain what kind of policy the DPJ or parties other than the LDP will implement on the U.S.-Japan alliance even if one of them becomes a majority party.

What is more fundamental and what is certain to take place in Japan, is a demographic change, that is, the decrease of younger population as already explained, plus the generational change of the population. The change may become a driving force of political change. Three aspects of those changes are of importance:

- 1) Change in policy-makers’ generations and in the public’s generations (generational change)
- 2) Change in the proportion between younger and older generation in the public (demographic change), and
- 3) Decrease of younger population (demographic change).

The first aspect can generate a change caused by the characteristics that are specific to each generation. For example, young generation does not have memories of World War II. The second

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<sup>16</sup> The term of a member of the House of Councillors (Upper Diet) is 6 years. The House of Councillors conducts an election for half of the 242 seats every three years. Before the election in July 2004, LDP had 50 seats and DPJ had 38 seats among the 121 seats to be elected. In the election, LDP won 49 seats and DPJ won 50 seats. Now the LDP (115 seats) has a majority in the House of Councillors, by continuing a coalition with Komei (24 seats). The DPJ has 82 seats.

and third aspects can generate changes caused by the characteristics specific to each age group. For example, older age group may be more conservative and cautious towards changes. Those three aspects of changes would have effects on the national mood relevant to the future of the alliance. For example, as a result of those changes, the population may become more supportive of the policy to contribute more to the alliance by dispatching the Self Defense Forces overseas.

In order to look at those aspects, I examine three kinds of public opinion polls (foreign relations, social awareness, and defense policy) conducted by the Prime Minister's Office of the Japanese government in various years. Figure 7.3, Figure 7.4 and Figure 7.5 are suggestive for the aspect 1) above. In Figure 7.3: (Do you support Japan's becoming a permanent member of the U.N. Security Council?), the proportion of "Yes" or "Yes, if anything" is lower for the age group over 60 years old (data: 1995-2003), although the number for the age group over 70 years old is difficult to interpret since "Do not know" answer is higher in this group for most questions.<sup>17</sup> In Figure 7.4 (What roles should Japan play in the international society? Choose two roles<sup>18</sup>), the proportion of the respondents who chose "contributions related to international peace including provision of human resources," is lower for the age group over 60 years old (data: 1990-2003).<sup>19</sup> In Figure 7.5 (What is your opinion on Japan's participation in the UN's Peace Keeping Operations (PKO)?), the proportion of the answer "Japan should participate more than now" is lower for the age group over 60 years old (data: 1999-2003).<sup>20</sup> Indicating that the *current* age group over retirement age is more

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<sup>17</sup> For example, in the 2003 poll, the proportion of "Do not know" answer to this question for each age group was 16.5% (20-29), 15.4% (30-39), 16.4% (40-49), 17.8% (50-59), 24.1% (60-69), and 37.0% (70+). In the 2000 poll, the same proportions were 22.0% (20-29), 18.0% (30-39), 13.6% (40-49), 18.9% (50-59), 25.7% (60-69) and 40.5% (70+). In the 1995 poll, the same proportions were 21.3% (20-29), 15.8% (30-39), 19.5% (40-49), 24.0% (50-59), 25.8% (60-69), and 39.5% (70+). On one hand, the larger proportion of "Do not know" answer may mean that the data for the age group over 70 years old is less valuable, since this age group does not keep up with policy issues. On the other hand, the larger proportion may mean that this age group is less flexible even when keeping up with policy issues and more likely to respond with "Do not know" answer with a new policy issue such as permanent membership to the Security Council. The same caution applies to the interpretation of other results of opinion polls in Figure 7.4, 7.5, and 7.6.

<sup>18</sup> Answers are from "Contribution to maintenance of international peace such as efforts towards peaceful resolution of a regional conflict including human support," "Contribution to the resolution of problems at global scale such as global warming," "Humanitarian support to refugees, in particular children and women," "International efforts to protect general values such as liberty, democracy, and human rights," "Contribution to healthy development of world economy," "Contribution in international cultural exchange such as cooperation in preserving cultural heritages in the world," and "Do not know."

<sup>19</sup> In the 2003 poll, the proportion of "Do not know" answer was 5.7% (20-29), 4.5% (30-39), 3.5% (40-49), 3.4% (50-59), 8.8% (60-69), and 14.8% (70+). In the 1999 poll, the same proportion was 3.9% (20-29), 2.9% (30-39), 2.4% (40-49), 6.4% (50-59), 8.5% (60-69), and 15% (70+). In the 1990 poll, the proportion was 6.0% (20-29), 6.7% (30-39), 8.0% (40-49), 12.1% (50-59), 19.9% (60-69), and 27.0% (70+). The proportion is higher for the 70+ age group as in the question in Figure 7.3.

<sup>20</sup> In the 2003 poll, the proportion of "Do not know" answer was 7.7% (20-29), 4.8% (30-39), 5.5% (40-49), 7.4% (50-59), 8.8% (60-69), and 16.4% (70+). In the 2001 poll, the same proportions were 5.0% (20-29), 4.6% (30-39), 4.3% (40-49), 5.8% (50-59), 7.9% (60-69), and 19.5% (70+). In the 1999 poll, the same proportions were 2.6% (20-29), 3.8% (30-39), 4.4% (40-49), 6.4% (50-59), 8.7% (60-69), and 13.7% (70+). The proportion is higher for the 70+ age group as in the question in Figure 7.3.

hesitant to expand Japan's role in the international arena, especially using the Self Defense Forces. This hesitance possibly reflects those generations' memory of Japan's militarism and expansionism during World War II. In addition, it may reflect lower adaptability of older age group in Japan to newer policy questions such as the one related to "international contribution" or Peace Keeping Operations. The proportion of people in those generations in the public in 2020 will decrease.<sup>21</sup>

Figure 7.6 and Figure 7.7 are suggestive for the aspects 2) and 3) above of the demographic change. In Figure 7.6 (Do you love Japan?), the proportion of "Yes" or "Yes, if anything" is larger as age of the group increases (data: 1980-2003).<sup>22</sup> In Figure 7.7 (Do you think that the U.S.-Japan alliance plays a useful role for Japan's security?), the proportion of "Yes" or "Yes, if anything" rises as the age of group increases (data: 1981-2003).<sup>23</sup> Those questions are not on new policy issues, different from the questions in Figure 7.3 (the UN's Security Council), Figure 7.4 (international contributions) and Figure 7.5 (Peace Keeping Operations). I interpret that the difference specific to a generation, such as whether to have a direct memory of World War II or whether to have a grasp on new policy issues, does not cause the characteristics of the data in Figure 7.6 and Figure 7.7. Rather, these figures show the general tendency that people love own country more and become more conservative on an important issue such as national security as they age, irrespective of when they were born.<sup>24</sup> The pattern is the same for the last 20 years before and after the end of the Cold War in Figure 7.6 and Figure 7.7. If this is the case, the public on average loves its own country more and becomes more conservative as the proportion of the older population rises and the absolute number of the younger people becomes less, as will occur in Japan in the near future.

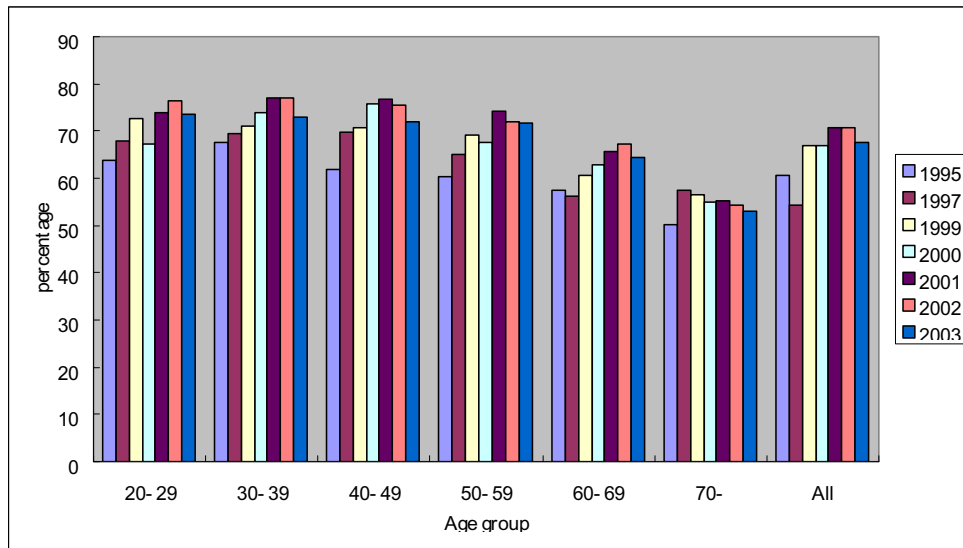
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<sup>21</sup> It is possible that old generations are more risk-averse than young generation. So even if young generation asks for more of something, they may stop asking for that when they become old. Since the questions in Figure 7.3-7.5 are on new policy issues, it is not possible to analyze whether this applies or not. But this may be the case when comparing the data in 1990 and 2003 in Figure 7.4.

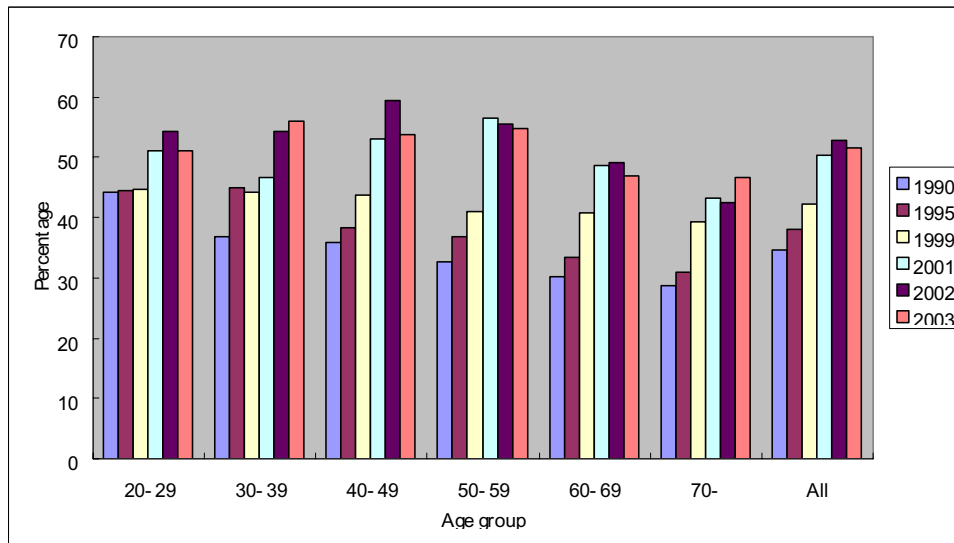
<sup>22</sup> In the 2003 poll, the proportion of "Do not know" answer was 47.1% (20-29), 54.2% (30-39), 49.4% (40-49), 35.7% (50-59), 28.8% (60-69), 22.1% (70+). In the 1990 poll, the same proportions were 54.6% (20-29), 52.9% (30-39), 41.2% (40-49), 32.8% (50-59), 23.9% (60-69), and 22.7% (70+). In the 1980 poll, the proportions were 52.8% (20-29), 48.4% (30-39), 39.8% (40-49), 30.0% (50-59), 27.3% (60-69), and 25.2% (70+). Different from the data in Figure 7.3, Figure 7.4 and Figure 7.5, the proportion of "Do not know" answer in this question is larger in younger age groups and smaller in older age groups.

<sup>23</sup> In the 2003 poll, the proportion of "Do not know" answer was 17.4% (20-29), 11.4% (30-39), 10.8% (40-49), 11.3% (50-59), 12.2% (60-69), and 19.8% (70+). In the 1997 poll, the same proportions were 16.4% (20-29), 13.9% (30-39), 14.3% (40-49), 12.2% (50-59), 15.7% (60-69), 22.9% (70+). In the 1988 poll, the same proportions were 19.0% (20-29), 17.8% (30-39), 16.5% (40-49), 18.6% (50-59), 20.2% (60-69), and 24.5% (70+). The proportion of "do not know" answer in this question is larger in older age groups as in the data in Figure 7.3, Figure 7.4 and Figure 7.5. However, the difference in the size of the proportions between younger age groups and older age groups is smaller compared to the data in Figure 7.3, Figure 7.4 and Figure 7.5. This reflects the difference in the nature of question, that is, whether the question is on new policy issue or not, as I mentioned in the main text. Read footnote 17.

<sup>24</sup> University students in Japan around 1960 and 1970 were very active in opposing and protesting to the alliance with the U.S. But the data in Figure 7.7 shows that the generations in 50-59 and 60-69 age brackets, which are the generations who were politically active in 1960 and 1970 respectively, are more favorable to the alliance than younger generation now.

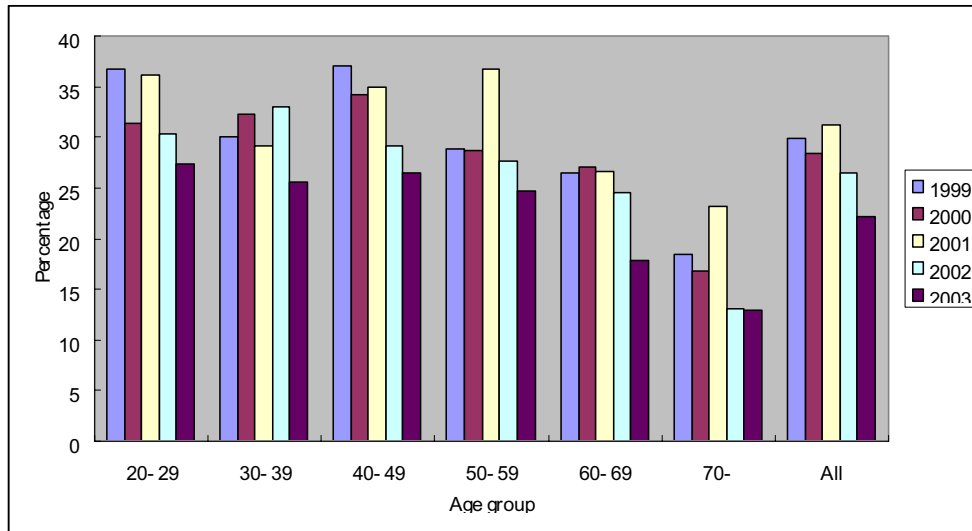


Source: Prime Minister's Office, Public Relations Office, *Public Opinion Poll on Foreign Relations*, various years  
 Figure 7.3— Do you support Japan's becoming a permanent member of the U.N. Security Council?: proportion of the answer, “yes”, or “yes if anything”

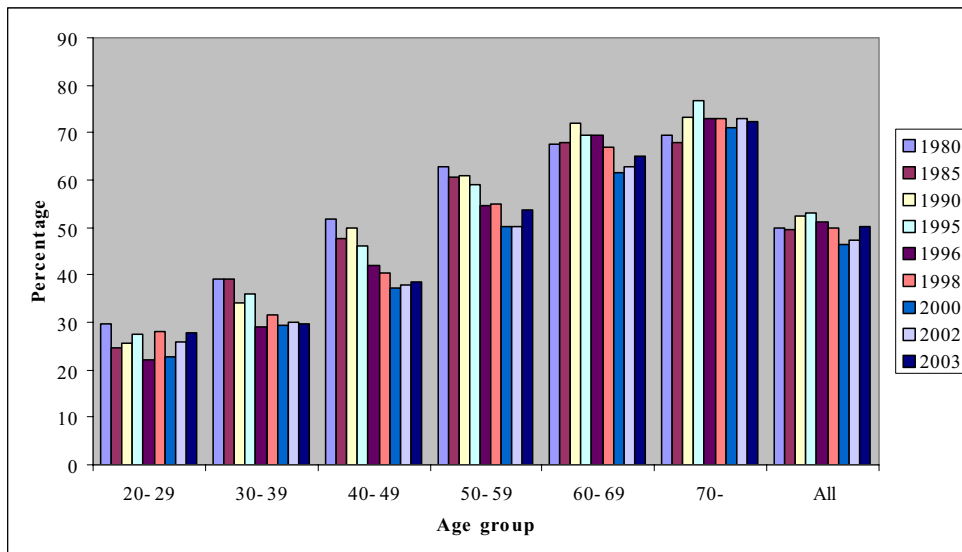


Source: Prime Minister's Office, Public Relations Office, *Public opinion Poll on Foreign Relations*, various years  
 Figure 7.4— What roles do you think Japan should play in the international society? (Choose two roles): proportion of the answer “contribution to international peace, such as efforts for peaceful resolution of regional conflict, including human support

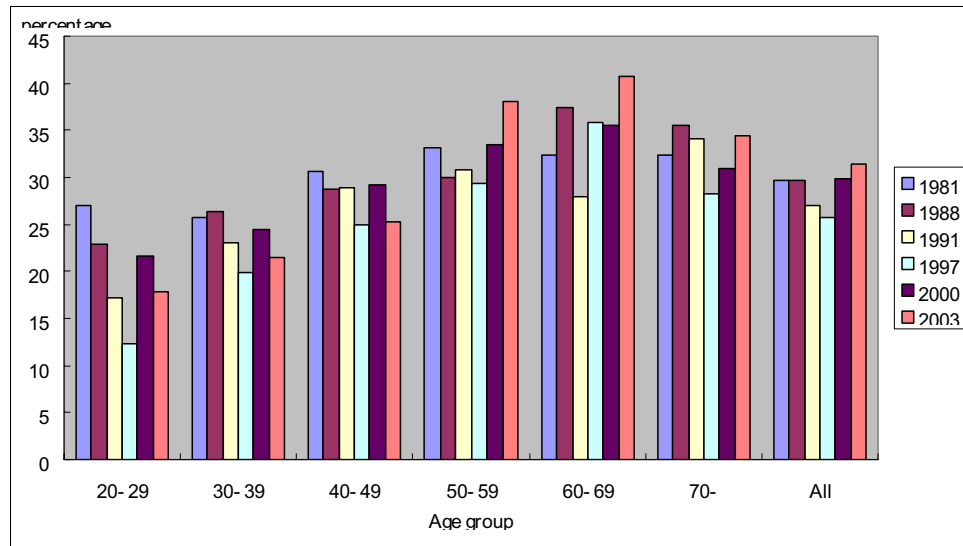




Source: Prime Minister's Office, Public Relations Office, *Public Opinion Poll on Foreign Relations*, various years  
 Figure 7.5— What is your opinion on Japan's participation in the United Nations' Peace Keeping Operations: proportion of the answer "Should participate more than now"



Source: Prime Minister's Office, Public Relations Office, *Public Opinion Poll on Social Awareness*, various years  
 Figure 7.6— Do you love Japan?: proportion of answers – "very strong", or "strong if anything"



Source: Prime Minister's Office, Public Relations Office, *Public Opinion Poll on Self Defense Forces and Defense Issues*, various years

Figure 7.7– Do you think the alliance played an useful role in Japan's security: proportion of answers – “yes”, or “yes if anything”

If those interpretations on Figure 7.3-7.7 are correct, it is likely that the decrease of younger generation compared to older generation will increase 1) the proportion of the population who support the alliance, and 2) the proportion of people who love Japan. It is also likely that the generational change increases 1) the proportion of the population who support Japan becoming a permanent member of the Security Council, and 2) the proportion of population who support Japan's participation in the activities to maintain international peace and security, including more frequent participation in the UN's PKO activities.<sup>25</sup>

Second issue is the effect of Japan's economic growth on the feeling towards U.S. military bases there, or, the effect of urbanization on anti-bases feeling at local levels. The more developed the region becomes, the more anti-base feeling the people living in the region have? On one hand, it

<sup>25</sup> One report stated that “When we begin to explore potential generational differences within the Japanese elite, we expected to find distinct differences of opinions between the younger and older generations. Based on polling data and personal interviews, however, we discovered that differences are limited.” (Center of Strategic and International Studies, *Generational Change in Japan: Its Implications for U.S.-Japan Relations*, August 2002.) I have a different view. In addition, this report did not pay enough attention to the effect of demographic change.

The article by Matthews, Eugene A. (“Japan's New Nationalism,” *Foreign Affairs*, November/December 2003), expressed a different opinion from the report above, saying that “as the country's citizens have aged and more members of the World War generation have passed away, fewer Japanese actually remember the horrors of war, and hence fewer fear the return of militarism.” (p.80). The problem of this article is that it ignored demographic change and predicted that Japan will take a more independent path, which is different from my view. In addition, the article did not analyze whether there is a real difference between generations in terms of fear towards the return of militarism, based on quantitative data.

is possible to blame the existence of foreign bases if the region stagnates (as in the Philippines). On the other hand, it is possible that an unpleasant thing can make you feel more uncomfortable if you have a more comfortable life (as in Seoul of South Korea or in Tokyo). Both are possible, but it is likely that the current Okinawa is located at the far left to the bottom of the line on the presumed reversed bell-shaped relationship between the level of dissatisfaction on foreign bases and economic level of the population. The average per capita GDP of Okinawa, where 75 percent of the U.S. bases in Japan are located, is the lowest among the 47 prefectures in Japan.<sup>26</sup> Is there a policy lever for the U.S. on this? Basically this is a domestic problem for which the Japanese government has responsibilities. But, for example, the U.S. may be able to support science and technology<sup>27</sup> or tourism in Okinawa.

#### 7-1-7 Utility function (with three arguments: security, non-armament goods and domestic autonomy)

##### A. Security and non-armament goods

International situation in East Asia is uncertain, including the possibility of military conflicts or confrontations. Will it become more uncertain, will it become more unstable, or will there be a country to pose a larger military threat to the region? Those are the questions whose answers would affect this concept. There are many possibilities of changes in East Asia: rise of China, its relation with Taiwan, collapse of North Korea, unification of Koreas, war on the Korean Peninsula, aggressive Russia in the Far East, proliferation of nuclear weapons to counties in Asia; or terrorism in East Asia. The white paper on defense of the Japanese government emphasized that “many countries in the region, with a significant economic growth as a background, is expanding and modernizing military forces, by increasing defense expenditures and introducing new equipment... Increase of income gap between rich and poor people has a negative effect on the stability of inter- and intra stability of the region, and leads to confrontation between countries and provides a breeding ground for terrorists’ activities. ... In the Asia Pacific region, there still remains territorial problems and unification problems.”<sup>28</sup>

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<sup>26</sup> In 2000, the average income per capita was 2,125,000 yen in Okinawa. The average in Japan was 3,101,000 yen. Those are \$19,318 and \$28,191 respectively, assuming the exchange rate is 110 yen/dollar. Statistics Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications, Japanese government, *Japan Statistical Yearbook 2004*, 3-14: Prefectural Accounts.

<sup>27</sup> The preparation to establish the Okinawa Institute of Science and Technology is under way at the level of the central government of Japan. This graduate-level university aims at becoming a “world-class graduate university in natural sciences that would trigger formation of a leading intellectual and industrial cluster in the Asia-Pacific region and contribute to the development of science and technology in the world.” (Cabinet Office, “Policies on Okinawa” <http://www.cao.go.jp/okinawa.pdf>)

<sup>28</sup> Japan Defense Agency, *Defense of Japan 2004*, July 2004, Chapter 1, Section 3, “Military situation in the Asia Pacific.”

It is beyond the scope of this chapter to describe and analyze in detail the uncertainty in East Asia. However, almost certain by the extrapolation of the current trend is the increase of China's military capability. Figure 7.8 shows military capital stocks of the U.S., China, Japan, and South Korea from the study by Wolf et al. (1995) and Wolf et al. (2000).<sup>29</sup> Military capital stock represents the sum of new military investment (procurement of weapons and military construction) and the previously accumulated depreciated military capital. This is a rough proxy for the military power of a country. The military capital stock in different currency is converted into dollars by purchasing power parity (PPP) of investment as in Wolf et al. (2000). The use of the PPP exchange rate answers the question "how many dollars would be received if the same market-basket were sold (i.e. valued) at U.S. prices?" (Wolf et al., 2000, p.12), and is more appropriate when comparing the size of military capital stock of different countries. In the figure, the military capital stock of China, in either of the three scenarios A, B, and C, will become much larger than Japan and Korea (390 – 450 percent of Japan) by 2015, although it will be still smaller than the U.S. (50 – 58 percent of the U.S.).

If there is a neighboring country with a large military capability, the Japanese people will be more concerned about their security, whatever intention the neighboring country may have. In other words, the decrease of security as a result of rise of China increases marginal utility of security, because the increase of utility as a result of the unit increase of security is decreasing by assumption. Japan would like to strengthen the alliance and/or increase its military spending, depending on which is more effective to increase their security.

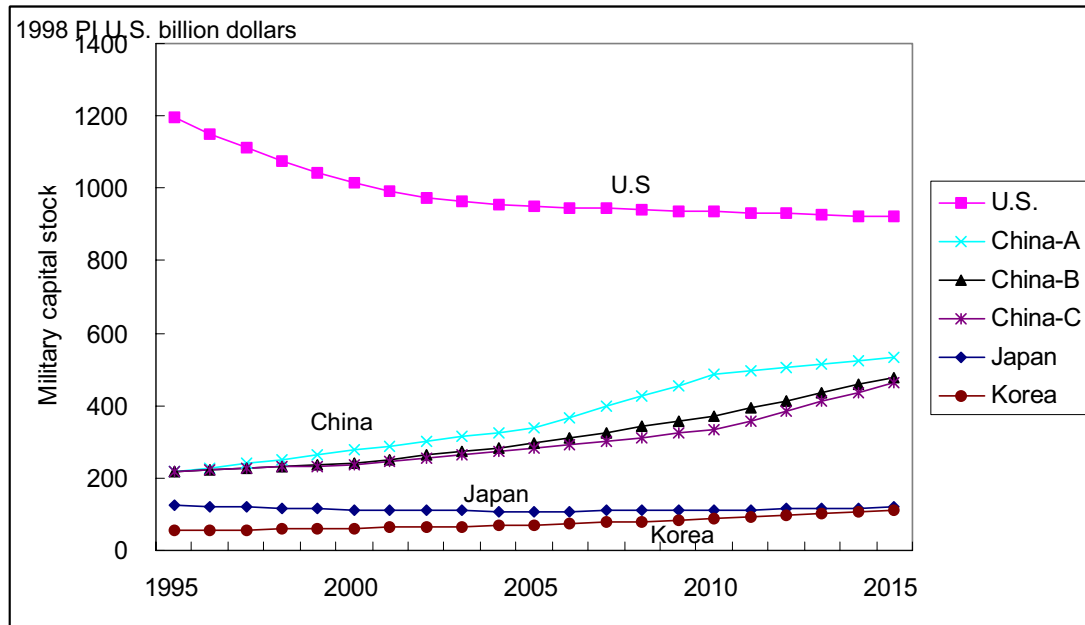
What are policy levers for the U.S., in order that Japan increase desirable alliance contributions in this situation? The U.S. interests are first, that Japan will take an appropriate balance between strengthening the alliance and building own defense capability. By changing Japan's perception on international situation, it is possible to affect Japan's military investment. It is desirable for Japan to make its own efforts to strengthen its defense capability. And, second, related to the first, there will be an arms race in East Asia. Since the strengthening of Japan's military capability may promote an arms race in the region. Since the reliable alliance can suppress a reckless behavior of a country and make the region stable,<sup>30</sup> the alliance itself would prevent an arms race. In addition to the

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<sup>29</sup> Charles, Wolf, Jr., Anil Bamezai, K.C. Yeh, and Benjamin Zycher, , 2000. Charles Wolf, Jr., K.C. Yeh, Anil Bamezai, Donald P. Henry, Michael Kennedy, *Long-Term Economic and Military Trends 1994-2015: The United States and Asia*, MR-627-OSD, RAND, 1995.

<sup>30</sup> The report on the Chinese military by the DOD (2004) explained about "extensive secrecy surrounding Chinese security affairs and a distinct aversion to real transparency on the part of China." The report went on to state that "Despite some recent improvements – such as publication of official white papers on defense issues every 2 years – China's leaders continue to closely guard and resist public revelation of basic information, such as the full amount and distribution of government resources dedicated to national defense or, as witnessed in 2003, details on the origin and incidence of infectious disease." Department of Defense, *Annual Report on the Military Power of the People's Republic of China*, May 28, 2004, p.7.

efforts to promote transparency in each country's defense spending and defense policy would be necessary.



Note: China-A: stable growth and defense spending 3% of GDP, China B: stable growth and defense spending 2% of GDP, China C: disrupted growth and defense spending 2% of GDP  
Source: Wolf et al. (2000) and Wolf et al. (1995)<sup>31</sup>

Figure 7.8— Projection of military capital stocks of the U.S., China, Japan, and South Korea

## B. Security and domestic autonomy

This concept is the willingness to pay for “security” by using the currency of “domestic autonomy.” The same point as 7) above on military threat and international situation in East Asia applies to “security” as well and the same point as 6) on generational and demographic change applies to “domestic autonomy.”

<sup>31</sup> Data on China, Japan, and Korea are from Wolf et al. (2000), Table 5 (Military capital stocks of selected Asian countries), p.22. Since the Table listed the data of every 5 years, I assume that the data in between 5 years changes linearly. Data on the U.S. is from Wolf et al. (1995), Table 5 (Military capital stocks of the United States and Selected Countries), p.17. In the Table, the U.S.’s military capital stock in 1994 in 1994 dollars is 1,103 billion dollars. I converted this number into 1998 dollar, using the composite deflators in Office of Management and Budget, *Budget of the United States Government 2004*, Table 5.2—Budget Authority By Agency: 1976–2007. I estimated the U.S. military capital stock by adding military investment in each year to 92 percent of the military capital stock of the prior year. The depreciation rate of 8 percent is from Wolf et al. (2000), p.21. I use defense budget 1995–2007 (estimates from 2002 to 2007) in 1998 dollars from Office of Management and Budget, Table 5.2 (2004). I assume defense budget after 2008 is the average of the past five years. By averaging, the increase rate of defense budget in 2008, 2012, 2015 become -5%, -0.1%, and 0.1% respectively. I assume that 20 percent of defense budget is military investment. Wolf et al. (1995, p.30) assumed that this share for the U.S. is 26 percent in 1993 and drops 1 percent every year to 1999 and 20 percent after 1999.

The meaning of the question “do you love this country?” in the public opinion poll (Figure 7.6, p.216) is vague. Even if you answer that you love Japan, it does not necessarily mean that you are more “nationalistic,” in the sense that you prefer independent security policy to the military alliance with the U.S. as a means to secure a country. But the population, as a whole, would become more conservative and cautious, as I discussed, which means a weaker driving force in the Japanese society as a whole (or, for a median voter in Japan) to place greater value on increasing Japan’s independent actions compared to increasing the country’s security.<sup>32</sup>

#### 7-1-8. Security function (with two arguments: armaments and alliance)

What will happen to the two marginal productivities above, or the relative size of the benefits of two choices of increasing security of a country: arms or alliance? As to the first criterion (nuclear weapons), there are uncertainties on the future of China, Russia, and North Korea. As to the second criterion (large conventional forces), there are uncertainties on the future of China and Russia. If the difference in the possibilities that nuclear weapons and conventional forces are used against Japan with and without the alliance *times* the size of destruction becomes less, the alliance becomes less productive. Or, if the difference in possibilities that large imbalance of military capabilities in East Asia (see Figure 7.8) leads to instability with and without the alliance *times* a consequence of the instability becomes less, the alliance becomes less productive. But the Japanese government cannot bet its security on subjective estimates of those possibilities and sizes, when the future in East Asia is uncertain and there are still large and growing accumulations of military capabilities. Thus, the alliance is a robust strategy in this uncertain situation, in the sense that “regret” would be small for a wide range of scenarios of the future, including the most extreme cases.<sup>33</sup> The majority of scholars and analysts in Japan argue for maintaining the U.S.-Japan alliance in the future.<sup>34</sup>

When the alliance is already productive to a degree that Japan will maintain the alliance in a choice between arms and alliance, the U.S. policy levers related to the concept would be to increase the productivity of Japan’s own defense so that Japan invests on its own defense (arms) in a balanced way. First, technology cooperation can increase the productivity of arms. For example, the joint

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<sup>32</sup> If the decision makers become much younger in Japan than now, the younger, who may prefer autonomy, choose policies according to such preference.

<sup>33</sup> See footnote 2. Lempert et al., 2003, p.55 and 56.

<sup>34</sup> For example, see p.191 of Funabashi, Yoichi, *Domei Wo Kangaeru: Kuniguni No Ikikata* (Thinking about Alliances: The Way How Countries Have Lived), 1998, Iwanami; p.112 of Morimoto, Satoshi, *Kyokuton Yumiji De Nihon Ha Nani Ga Dekirunoka* (What Can Japan Do in an Emergency in the Far East?), 1999, PHP; or p.157 of Kamiya, Manjo, “Asia Taiheiyō Chiiki Ni Okeru Juusouteki Anzen Hosho Kouzou Ni Mukatte: Takokukan Kyocho Taisei No Genkai To Nichibei Anzen Hosho Taisei No Yakuwari” (Towards a Multi-layered Security Structure in the Asia Pacific Region: The Limits of Multilateral Cooperative System and the Role of the U.S.-Japan Alliance System), in *Kokusai Seiji*, May 1997.

research and development on element technologies<sup>35</sup> led to the Japanese government's decision to introduce the BMD (ballistic missile defense) system.<sup>36</sup> Technology cooperation is important when the gap in military technologies between the U.S. and its allies may lead to under-investment by allies. U.S. can benefit by technology cooperation as well. Promotion of procurement of arms from the U.S. can be done at the same as to promote technology cooperation. Second, intelligence cooperation can increase the productivity of arms, since the operation of its own defense forces depends on good intelligence. The U.S. can benefit from Japan's intelligence as well.<sup>37</sup>

#### 7-1-9 Alliance function (armaments and alliance autonomy [first two arguments])

If Japan receives a threat that the U.S. may withdraw from the alliance, Japan might be forced to provide more alliance contributions. The problem is that explicit use of this pressure may also increase the cost of provision of alliance contributions for the Japanese government (see 1-6). So the question is how to give a pressure (or, request) to policymakers in Japan without increasing the cost by having the public in Japan feel the explicit foreign pressures.

Now there is an environment where both sides can discuss the content of alliance contributions, since the direction in Japan is for strengthening the alliance. This is not to give a pressure, but to make a want clear, increasing the degree to which Japanese policymakers know what the U.S. exactly expects from the alliance, in a reciprocal way so as not to inflate the cost of alliance autonomy for Japan. Although the U.S. pressures erupted in the past in an uncontrolled manner (see Figure 6.26), this can be a controlled policy lever now for the U.S. It is important to make a shared understanding on what both countries want on the size and type of alliance contributions, or composition of alliance contributions, since there is no market to transact alliance contributions

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<sup>35</sup> Statement by the Chief Cabinet Secretary on the U.S.-Japan joint technology research on Ballistic Missile Defense (BMD), December 25, 1998 in Japan Defense Agency, *Defense of Japan 2004*. The U.S. and Japan jointly design and test nose cone, 2nd stage rocket motor, kinetic warhead and infrared seeker, which are 4 major components of upgraded missiles for the NTWD (navy theater wide defense).

<sup>36</sup> The Japanese government decided to introduce the BMD system in December 2003 ("On Introduction of Ballistic Missile Defense System and Other Measures," decided at the Cabinet and the Security Council on December 19, 2003).

<sup>37</sup> Instead of depending on information on a missile-launch from U.S. early warning satellites, the BMD system in Japan "requires interception of missiles by Japan's own independent judgment based on the information on the target acquired by Japan's own sensors" ("Statement by the Chief Cabinet Secretary," December 19, 2003). The BMD system in Japan is going to use information from FPS-XX radars to detect both an intrusion of aircraft and a launch of ballistic missiles, which the Technical and Research Defense Institute of Japan developed and is now testing. (Ishiba, Shigeru, Minister for Defense, Committee on Defense and Foreign Affairs, House of Councillors, May 18, 2004, p.11. Yasue, Masahiro, Director General on Technology, Japan Defense Agency, Committee on Security, House of Representatives, February 26, 2004, p.16.) According to an article of Yomiuri Shimbun, the U.S. is unofficially requesting the sharing of information from the radars, since the U.S. does not have land-based radars located in the region to track the trajectory of a missile after its early warning satellites can detect the launch of the missile. (Yomiuri Shimbun, March 28, 2004.)

where members disclose their preferences each other. Allies may behave selfishly. Periodic consultation is better than abrupt demand. Comprehensive framework and specific agenda are both necessary for the consultation. Actually this process may have already been taking place.<sup>38</sup> But the current consultation is not satisfactory, considering the disorder during the negotiation of the new Special Measures Agreement (SMA) on the Host Nation Support program in 2000, as I explained in Chapter 5. If the U.S. and Japan continue to negotiate the SMA every 5 years and the negotiation is not productive for the purpose of strengthening the relationship,<sup>39</sup> it may be better that the U.S. and Japan will make the negotiation as a part of a periodic consultation to inform and adjust expectation on each other's alliance contributions.

7-1-10 Alliance function (sum of armaments and sum of alliance autonomy [last two arguments])

The reason why Japan maintains the bilateral alliance with the U.S. is first to deter the military threats from the countries with nuclear weapons and large conventional forces. Japan does not intend to build a military capability to deter those threats and fight with those countries by itself. The second reason is to keep stability in the region surrounding Japan. If it were not for the U.S.-Japan alliance and the stable U.S. engagement in the region, there will be a power vacuum which may lead to instability.<sup>40</sup>

After the end of the Cold War, the second reason is became more important, as the military threats from the Soviet Union waned, while the first reason still remains as a rationale for continuing the alliance. The Joint Declaration on Security in 1996<sup>41</sup>, which is a document with 1889 words, used the word “stability” 8 times, “instability” 2 times, and “stable” 3 times, while the word “deterrence” 1 time and “deter” zero time.

As an alliance, when the possibility of a direct invasion into Japan from outside with large scale military forces becomes remote, the preparation for specific regional contingencies around Japan, such as on the Korean Peninsula or in the Taiwan Straits, becomes more important. Along with those preparations, it becomes important to keep the alliance relationship in a good condition and to improve the reliability of the alliance in order to increase functions of the alliance to make the region stable. This is because the assumption of the second reason above for maintaining the alliance

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<sup>38</sup> As the minister or secretary level, there is Security Consultative Committee (SCC). At the director-general or under-secretary level, there are Security Subcommittee (SSC), Subcommittee for Defense Cooperation (SDC) and Joint Committee. Chapter 2, Section 4, Japan Defense Agency, *Defense of Japan 2004*, July 2004. The question is whether the quality of policy dialogue and consultation in these meetings, and by other channels has increased or not.

<sup>39</sup> The discussion on the SMA in 1995 and 2000 did not seem to produce something that was useful for the alliance relationship, other than to conclude the SMA. Rather, it seemed to produce frictions in the relationship and suspicion towards each other.

<sup>40</sup> See p.151 on the discussion on the functions of the U.S.-Japan alliance.

<sup>41</sup> See p.154.



is that the stable and reliable engagement of the U.S. backed by the U.S.-Japan alliance relationship in a good condition increases the stability of the region.

For Japan, the central question is how to increase alliance's effectiveness for increasing security for Japan, either for the first or second reason. In principle, what Japan contributes as a result of perceiving the contributions to increase the effectiveness of the alliance (for securing Japan) is not necessarily the same as what the U.S. wants Japan to contribute to the alliance. For the first reason, there would be room for Japan to free-ride on the U.S. military capability. But for the second reason, that is, general improvement of reliability and condition of the alliance relationship, plus the preparation for specific tasks, there will be smaller room for inconsistency in the objectives of both countries. This is because Japan needs to increase the reliability of the alliance, which gives an incentive to Japan to satisfy the U.S.'s needs to the alliance. On the U.S. side, there is a necessity to maintain the alliance in order to have access to the region and to maintain the stability of the region, which gives the U.S. an incentive to satisfy Japan's needs to the alliance. If so, there is room for promoting "trust," or "the expectation that arises within a community of regular, honest, and cooperative behaviour, based on commonly shared norms, on the part of other members of the community."<sup>42</sup>

Is there a policy lever for the U.S. to affect Japan's policy related to this concept? One issue is the U.S. war on terrorism. If terrorisms are threats not to be deterred by counter-attacks by military forces,<sup>43</sup> the presence of the U.S. forces in Japan does not provide much security. Or worse, the relation with the U.S. may decrease security, since the U.S. ally is more likely to become a target for the terrorists who hate the U.S. and the cooperator of the U.S. Furthermore, the increase of homeland security of the U.S. may decrease the security of Japan, if terrorists change the target from the more protected to the less protected. While there would be an incentive in Japan to satisfy the U.S. needs to the alliance in general as I explained above, these characteristics of counter-terrorism may hinder cooperation.<sup>44</sup> So it is necessary to decrease this negative aspect by providing the know-how and sharing intelligence relevant to counter-terrorism.

The summary of the analysis above on each key aspect of environment relevant to Japan's policy stance towards the alliance with the U.S. for the next 10-20 years is as follows: 1) Japan's

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<sup>42</sup> Fukuyama, Francis, *Trust: The Social Virtues and The Creation of Prosperity*, Free Press, 1996, p.26.

<sup>43</sup> Paul Davis and Brian Jenkins analyzed that "The concept of deterrence is both too limiting and too naïve to be applicable to the war on terrorism. It is important to conceive an *influence* component of strategy that has both a broader range of coercive elements and a range of plausible positives, ..." Paul K. Davis, and Brian Michael Jenkins, *Deterrence and Influence in Counterterrorism: A Component in the War on al Qaeda*, RAND, MR-1619, 2002, p.xviii.

<sup>44</sup> Sandler and Enders analyze that "transnational terrorism and efforts to address it involve transnational externalities and market failures." Sander, Todd, and Walter Enders, "A Economic Perspective on Transnational Terrorism," *European Journal of Political Economy*, Volume 20, Issue 2, pp.301-316, June 2004.

economic growth would be slow; 2) Japan would be prepared to become a permanent member to the U.N. Security Council and may change the Constitution, both of which increase Japan's policy alternatives and their impact (policy autonomy space); 5) cost of building military forces for Japan would increase because of Japan's export and procurement policy, technological development of weapons, and the aging of the population; 6) as a result of generational change and aging of the population, Japanese would become more comfortable with Japan's international role and more supportive of the alliance relationship with the U.S.; 7) uncertainty in the region and the rise of China's economic and military capability would make the population more conscious of maintaining security; 8) as a result of decrease of the proportion of the younger population, Japanese may become more conservative and cautious; 9) with the same reason as 7), the alliance option would become more attractive compared to own defense efforts; 10) and 11) the importance of the alliance for Japan to keep the stability of the region would increase an incentive to satisfy the U.S. needs to the alliance as opposed to an incentive to free-ride on the U.S.'s efforts to deter military threats.

Various changes including slow economic growth, generational and demographic change, rise of China, or increase of cost of security would converge into strengthening the alliance with the U.S., while increasing alliance contributions by expanding its role in international peace and security.

The effect of some of the environment change on the alliance may need a separate and full study. For example, what is the effect of technological change on the effectiveness of alliance to increase security, compared to independent defense efforts without the alliance? Or, what is the effect of growth of economic and military capabilities of China on the alliance relationship with the U.S.? However, one benefit of using an analytic framework as I did in this section rather than to focus on one specific aspect is to make it easier to analyze all or most of the key issues relevant to have an idea on the future condition of the security relationship between the U.S. and Japan.

## 7-2 Agenda setting

In this section, I explore the possible form of the three streams on agenda setting process: problem stream, politics stream, and policy stream.<sup>45</sup> What forces may affect the form of those streams for the next 10-20 years and may bring about the discontinuous, unexpected and sudden change in the alliance relationship and alliance contributions?<sup>46</sup> I discuss the streams that may result

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<sup>45</sup> See p.37 (Chapter 3) on the John Kingdon's framework on agenda setting process, including the meaning of each stream.

<sup>46</sup> "Discontinuous" change means that 1) there is a provision of alliance contributions in a new category, or 2) there is a sudden and large increase (or decrease) in the provision of alliance contributions in the current categories. See Appendix 2 (p.292) on the categories of alliance contributions.

in the setting of agenda to lead to an increase of alliance contributions,<sup>47</sup> to see how policy process can realize the direction of changes in the economic model on alliance contributions.

#### 1) Problem stream

The Sarin gas attack in the Tokyo-subway by the Aum Shinri-kyo and the Hanshin-Awaji-Kobe Earthquake in 1995, North Korea Taepodong missile launch in 1998, which flew over the Japanese main island into the Pacific Ocean, the terrorism attack on the U.S. in 2001, or North Korea's withdrawal from the NPT regime in 2003— all affected problems stream on Japan's defense policy in the late 1990s and early 2000s. Those resulted in major decisions in defense policy – enactment of legal framework to cooperate with the U.S., strengthening the crisis management system in the government, or sending the Self Defense Forces to support multinational forces in Afghanistan and Iraq.

In order to see whether there is still a momentum for reforming Japan's defense policy, I look at the recent discussion on defense policy in the Japanese government. Prime Minister Koizumi established a committee in his office to discuss national security policy in April 2004. The Japanese government was scheduled to decide the next National Defense Program Outline (NDPO) by December 2004, which replaces the 1996 NDPO.<sup>48</sup> The government also was scheduled to decide the next 5 year Mid-Term Defense Program in December 2004.<sup>49</sup> The committee's chairman is Araki Hiroshi, former President of the Tokyo Electric Power Company. Ten members come from universities (4), companies (2), bureaucracies (3, retired) and the military (1, retired), in order to reflect various voices into the process of making the NDPO, as in the same kind of committees in 1976 and 1996.

The committee discusses various issues necessary for making a NDPO. The official document to set up a committee states on the purpose of the meeting that “it becomes big issues for our national security to cope properly with new kinds of threats such as proliferation of weapons of mass destruction or international terrorism, and we need to examine, from a wide range of perspectives and in a comprehensive manner, what kind of posture our national security policy and defense forces should take.”<sup>50</sup>

The government explained the current situation and tasks for the future to the committee members. The slides and papers the government used in the meetings pointed out various tasks and

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<sup>47</sup> There can be a setting of agenda that is opposite to the change derived from utility maximization in Section 1. For example, the return of bases in the Philippines to the U.S. in 1992 may be the example (see Chapter 3, section4).

<sup>48</sup> See p.180 on the 1976 National Defense Program Outline.

<sup>49</sup> See p.184 on the relationship between the NDPO and the Mid-Term Defense Program.

<sup>50</sup> “Anzen Hosho to Bouei-ryoku ni kansuru Kondankai no Kaisai ni tsuite” (On establishing a committee on national security and defense forces), signed off by the Prime Minister at April 20, 2004.

policy questions.<sup>51</sup> The following are the questions related to the alliance relationship below (date of the meeting in parenthesis).<sup>52</sup> Those questions are classified into three categories: A) alliance relationship with the U.S., B) international cooperation, and C) international cooperation and the alliance relationship with the U.S. Reflecting the nature of the committee to discuss issues relevant to the enactment of the NDPO, which is a document made only twice since the late 1970s, the Japanese government asked those questions as the issues which would be relevant in the mid to long term. So, some of those questions are likely to form the core of “problem stream.”

[A: Alliance relationship with the U.S.]

- How can Japan strengthen the relationship with the U.S. including the alliance relationship? (4/27/2004)
- How should Japan think on the division of the roles between the U.S. and Japan in a way to improve the reliability of the U.S.-Japan alliance relationship for coping with security problems for Japan? (6/15)
- What is the effect of the transformation of the U.S. military posture on the defense posture and organization of Japan’s Self Defense Forces? (6/15)
- How can Japan develop advanced technology and pursue advanced intelligence capability while maintaining interoperability with the U.S. forces? How to promote cooperation with the U.S. on the BMD system in terms of policy, operation and technology? (7/13)
- How can Japan strengthen intelligence cooperation with the U.S.? (7/13)

[B: International cooperation]

- How can Japan contribute autonomously and aggressively to international activities for maintaining peace and stability? (4/27)
- What is the principle and purpose for Japan to face with international cooperation on peace? What is the role appropriate to Japan? (6/15)
- In order to implement operations more effectively, what should be the roles of the Self Defense Forces and civilians? How to strengthen the linkage among participating parties, and how to improve linkage among different policy areas such as ODA and security policy? (6/15)

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<sup>51</sup> “Waga Kuni no Anzen Hosho Seisaku no Wakugumi ni tsuite (On the framework of Japan’s security policy),” April 27, 2004, p.7; “Waga Kuni no Kokusai Heiwa Kyouryoku to Nichibei Anpo Taisei ni tsuite (On Japan’s international peace cooperation and the U.S.-Japan alliance arrangements),” June 15, 2004, p.8-9, p.20-21; “Jieitai no Genjo to Kadai (Current situation and tasks for the Self Defense Forces),” July 13, 2004, p.6, 9. Those are the slides and papers that the government used in the Committee’s meetings. Original texts are in Japanese. [www.kantei.go.jp/jp/singi/ampobouei/index.html](http://www.kantei.go.jp/jp/singi/ampobouei/index.html). Those slides and papers do not state all the questions and tasks in an interrogative sentence. So the statements in non-interrogative sentence are changed into interrogative sentence.

<sup>52</sup> I excluded the questions related to domestic defense policy, such as how to increase the number of well-trained intelligence specialists in the government, how to promote cooperation between the central and regional government during an emergency, how to promote cooperation between national police forces and defense forces for counter-terrorism activities, etc.

Less visible in those slides and papers are how to cooperate with the U.S. in emergencies surrounding Japan. This reflects that the central issue of the Committee is whether to upgrade the international role of the defense forces such as participation in Peace Keeping Operations or participation in rear area support activities for Multinational Forces to the main mandate for the Self Defense Forces. Also strangely missing from the discussion during the meetings is on the size of defense budget adequate to execute the kind of missions the meeting discusses such as international cooperation or increase of intelligence capability.

- Should Japan upgrade the international peace cooperation to one of the main mandates for the Self Defense Forces? (6/15)

[C: Alliance with the U.S. and international cooperation]

- In order to maintain international peace and stability of Japan and international society, how should Japan link the maintenance of the U.S.-Japan alliance, promotion of diplomatic efforts, and effective operation of the defense forces? (4/27)
- In order to have a more stable international security environment, how should Japan realize both the goal to maintain and strengthen the close U.S.-Japan cooperation and the goal to promote cooperation of the wider international society? (6/15)
- While the U.S.'s regional and global role is indispensable for maintaining the peace and security in the region around Japan and other areas, should Japan make efforts to make sure that the U.S. can play such role in cooperation with the international society? (6/15)
- While maintaining the bilateral U.S.-Japan alliance relationship is a basis for maintaining the peace and stability of the region surrounding Japan, how to relate it with multilateral regional security cooperation such as the ASEAN Regional Forum? (6/15)

From those lists of questions, is it possible to have an idea on what kinds of policy problems will become prominent for Japanese policymakers for the next 10 to 20 years? Especially, is it possible to have an idea on the kind of problem whose solution can lead to discontinuous and sudden change in the type and size of Japan's alliance contributions?

New policy questions are more likely to lead to a discontinuous change. Questions related to the category A (the alliance relationship with the U.S.) existed long before the end of the Cold War, although the areas to strengthen the relationship may have changed and now include more substantial aspects such as cooperation in military operation or intelligence. Questions related to the category B (international cooperation) have been continuing since the early 1990s, especially since the U.S. criticized the Japanese government's slow reaction during the first Gulf War in 1991. Questions in the category C (alliance with the U.S. and international cooperation) are new. Questions in this category have a potential for affecting positively the composition of alliance contributions, since the overlap of the scope of international cooperation and the scope of contributions to the alliance is going to increase if Japan's government coordinates those two tasks well.

During the 1970s and 1980s, the Japanese government tried to strengthen the alliance relationship with the U.S. to cope with the large military threats from the Soviet Union. This effort to strengthen the alliance relationship continued in the 1990s to prepare for a regional emergency surrounding Japan such as on the Korean Peninsula. During the 1990s, the Japanese government also tried to find the role of Japan in the international society, especially the role of Japan in international cooperative activities involving military forces such as PKO. Now a new theme may be emerging when both the alliance with the U.S. and international cooperation for stabilizing the unstable region in the world are important for Japan's security: how to promote both the U.S.-Japan alliance relationship and international cooperation in a way that both are compatible and are synergetic?

## 2) Politics stream

The politics stream will be favorable to strengthening the alliance, as I explained in section 1. However, it is difficult to predict those causes of politics stream, especially the kind of political stream that can lead to a discontinuous or sudden change, other than to predict the general trend as I did in section 1. National mood or public opinion may change as a result of a serious failure of Japan's peace keeping operations or a serious accident by the U.S stationing forces in Japan. Majority party in the Diet may change as a result of political scandal. It is difficult to see what political parties will become popular, as I explained in p.214. But it is also hard to see what kind of security policy each political party, especially the party other than Liberal Democratic Party, will have in the future.<sup>53</sup> So, the analysis of the current policy platforms of key political parties is not helpful to this chapter's purpose – to analyze the trend in the mid to long term.

## 3) Policy stream

Since the policy proposal in the mid-to-long term defense policy cannot avoid the discussion on the Constitution, it is difficult for government officials and government agencies, who and which must abide by the Constitution, to publish such policy proposal. So it is better to look at the policy proposal by the Diet members or political parties, for example, the policy proposal by the Liberal Democratic Party (LDP): "Recommendations on Japan's new Defense Policy--- Toward a safer and more secure Japan and the world" in March 2004.<sup>54</sup> The proposal made by the LDP would not deviate far from the criteria on policy proposals: technical feasibility and acceptability to the policy community<sup>55</sup>.

The policy proposal first explained the changes in the security environment. In the new environment, there are two types of threats: conventional and traditional threats such as North Korea, and the 21st century-type threats such as proliferation of weapons of mass destruction and terrorism. In addition, "The necessity and importance of international cooperation and U.S. military preeminence will continue to exist as two distinct features of the new security environment" (p.3). Then the report explained the basic direction of Japan's defense policy as follows:

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<sup>53</sup> According to an article in *Economist*, Okada Katsuya, a new leader of the Democratic Party of Japan since May 2004, "is still cagey about how much he would overhaul security policy." "Another bright young hope," *The Economist*, August 21<sup>st</sup>, 2004, pp.33-34.

<sup>54</sup> Defense Policy Studies Subcommittee, National Defense Division, Policy Research Council, Liberal Democratic Party, *Teigen: Atarashii Nihon no Bouei Seisaku (Recommendations on Japan's new Defense Policy--- Toward a safer and more secure Japan and the world)* (tentative translation), March 30, 2004. One caution is that it was the National Defense Division of the Policy Research Council that prepared and approved this report. In other words, although the President of the LDP and the Prime Minister, Koizumi, received this report from the Division, the LDP did not take any formal procedure above the Division level such as at the Policy Research Council to approve this report. The major opposition party, the Democratic Party of Japan has not published the comparable policy proposal yet.

<sup>55</sup> Kingdon (1995) states that "Proposals that meet several criteria enhance their chance of survival. They are technically feasible – worked out and capable of being implemented. They are acceptable in the light of the values held by members of the policy community." (p.143)

“We must underscore that, in Japan’s new defense policy, JSDF (Japanese Self Defense Forces) and the Japan-U.S. security alliance will remain the two inseparable core features as they have been in the past.” (p.2)

“Under these circumstances, the Japan-U.S. alliance remains of utmost importance and Japan must actively strive to enhance its credibility. At the same time, Japan should also put emphasis on cooperation with the international community as well as other nations.” (p.4)

“As JSDF broadens its scope of activities and both national and international expectations for its activities are rising, JSDF should not confine its role to mere deterrence. It should also play an active part in ensuring peace and stability of the world.” (p.4)

Then, the report proposed 16 “specific recommendations,” which are the core part of the 18-page report. The list of the special recommendations is as follows:

- 1.\* Amendment to Article 9 of the Constitution
- 2.\* Exercise of the right of collective self-defense
3. According a full ministry-status to the Defense Agency
4. Enactment of Basic Law for National Defense
5. Improvement of National Crisis-Management Regime
  - 1) Strengthening the Prime Minister’s authority
  - 2) Enhancement of the functions of Cabinet Secretariat
6. Implementation of legislations related to emergency situations, including Legislation to Protect People’s Lives
- 7.\* Enactment of general law governing international cooperation activities including JSDF
8. Comprehensive review and restructuring of JSDF law
9. The new National Defense Program Outline
  - 1) Improvement of JSDF’s joint operation capability
  - 2) New force structure of GSDF, MSDF, and ASDF
  - 3) Smooth introduction of Ballistic Missile Defense System
- 10.\* Enhancing Japan-U.S. Security Arrangements (toward deepening Japan-U.S. defense cooperation)
11. Reorganization for better decision-making support for the Defense Minister (Amendments to the Defense Agency Establishment Law and the Self-Defense Forces Law)
- 12.\* Enhanced Intelligence collection, intelligence sharing and information
- 13.\* Three Principles on Arms Export and the maintenance of infrastructure for defense industry and technology
- 14.\* Issues related to U.S. forces’ facilities in Japan
15. Improving the status of JSDF personnel as members of a military
16. Promotion of mutual understanding between citizens and JSDF personnel and improvement of the public awareness of national

The number 1, 2, 7, 10, 12, 13, 14 (with \*) are policy proposals related to the U.S. alliance and Japan’s future contributions to the alliance and international peace. Discontinuous policy changes among those are number 1 (the Constitution) and 2 (right of collective defense), both of which are related to the Constitution.

The Japanese government’s current interpretation on the Constitution is that the Constitution does not allow Japan to exercise the right of collective defense, although Japan, as a sovereign nation,

possesses the right of collective defense under international law.<sup>56</sup> So, the Japanese government uses the concept of “integration with other nation’s use of armed force” to avoid the discussion on right of collective defense.<sup>57</sup> That is, the Self Defense Forces can participate in an activity other than during a direct attack to Japan if the activity is not integrated with other nation’s use of armed force. This is the legal justification for the dispatch of Self Defense Forces to support multinational forces activities in Afghanistan and Iraq, or enactment of laws to support the U.S. forces in case of emergencies surrounding Japan such as on the Korean Peninsula. But this legal explanation is difficult to sustain in many legally gray areas in the Diet and makes the activities of the Self Defense Forces, once dispatched, difficult. The report proposed 4 options for enabling the exercise of the right of collective defense: 1) amendment of the Constitution, 2) change of the government’s interpretation of the Constitution, 3) new legislation defining the constitutional boundary, and 4) parliamentary resolutions.

Not only the Defense Division of the LDP but also the Diet has been discussing the Constitution since 2000. In the Diet, both the House of Representatives and the House of Councillors established the Research Commission on the Constitution in January 2000. It was the first time since the Constitution was enacted in 1947 that the Diet established an official organization to “conduct broad and comprehensive research on the Constitution of Japan.”<sup>58</sup> The Research Commission of the House of Representatives published the Interim Report in November 2002,<sup>59</sup> and are scheduled to submit the final report within approximately 5 years,<sup>60</sup> or, by January 2005.

#### 4) Possible U.S. influences

Various kinds of streams would be possible to evolve from the one described above and various kinds of combinations of those streams would be possible. Is it possible for the U.S. government to have some influence on the agenda setting process in Japan, so that it proceeds in the direction desirable to the U.S. in the mid to long term?<sup>61</sup>

There are technically two avenues: (1) influence on the forming process of each of the three streams and (2) influence on the coupling process of the streams. As to the first, it is wise to point out problems rather than to showing preference on policy, or manipulating politics or national mood.

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<sup>56</sup> Article 51 of the United Nation Charter stipulates that “Nothing in the present Charter shall impair the inherent right of individual or collective self-defense if an armed attack occurs against a Member of the United Nations, until the Security Council has taken the measures necessary to maintain international peace and security. ...”

<sup>57</sup> See p.211 on the right of collective defense.

<sup>58</sup> Website of the Research Commission on the Constitution, the House of Representatives, [www.shugiin.go.jp/index.nsf/html/index\\_e\\_kenpou.htm](http://www.shugiin.go.jp/index.nsf/html/index_e_kenpou.htm)

<sup>59</sup> Research Commission on the Constitution, The House of Representatives, *Interim Report*, November 2002.

<sup>60</sup> Japan Defense Agency, *Defense of Japan 2004*, chapter 2.

<sup>61</sup> Continuous part in Section 1 and discontinuous part in this Section are not completely separate processes but are related each other.



In other words, it is better to influence the problem stream rather than the policy stream or the politics stream. In 2004, there was a newspaper report that the Deputy Secretary of State told a Japanese Diet member who visited him that “the war-renouncing Article 9 of Japan’s Constitution is an obstacle to strengthening the Japan-U.S. alliance. ...Japan must revise the Constitution and play a greater military role for international peace if it wants to become a permanent U.N. Security Council member,...”<sup>62</sup> Critical editorials and opinions ensued. For example, an editorial of the *Asahi Shimbun* stated that “While Armitage rightfully noted that these are matters for Japan to decide, it is not his business to single out Article 9 when he criticizes our Constitution. Quite a few Japanese must have viewed his comments as from an official who still sees Japan as an occupied state.”<sup>63</sup> Those reactions would make it difficult for Japanese policymakers to make a decision.

As to the second avenue, the roles of “policy entrepreneurs” are important for putting together three streams (“coupling”) in Kingdon’s theory on agendas. The U.S. can shape the environment so that a “policy window” opens and policy entrepreneurs can seize the moment for realizing a policy innovation. For example, there is a dilemma for Japan to proceed in the direction described above— to allow the right of collective self defense and increase contributions to the alliance and international peace and stability. If Japan allows it, Japan will be able to increase the contributions, which matches both the interest of Japan and the U.S., but it will lead to the opposition from China and regional neighbors, for example, Korea, which is not the interest of Japan and the U.S. Especially, in order to become a permanent member of the Security Council, it is better for Japan to allow the right of collective self defense, but it may result in the opposition from China, a current permanent member of the Security Council, to Japan’s membership. Support from the U.S. on diplomatic efforts to assuage those countries’ concerns to Japan’s becoming a regional political and military power would be necessary.

In either case, the U.S. should be careful not to involve oneself into another country’s and region’s politics and policy-making and not to give an impression that it tries to manipulate them.<sup>64</sup>

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<sup>62</sup> “Article 9 hindering U.S. ties, bid for UNSC seat: Armitage,” *Japan Times* (Washington, Kyodo), July 23, 2004.

<sup>63</sup> “Editorial: Depending on ‘Gaiatsu,’” *Asahi Shimbun*, July 26, 2004. The article also stated that “Still, perhaps it is wrong to criticize Armitage. More accurately the problem lies with Nakagawa’s attitude. Nakagawa may have intended to draw out Armitage’s remarks on the constitutional revision..... Some government sources believe that Nakagawa did not accurately quote Armitage.” Nakagawa is the chairperson of the Diet Affairs Committee of the Liberal Democratic Party, who visited Armitage in Washington, DC in July 2004.

According to another article, Japanese Communist Party chief Shii Kazuo commented that “it has now become clear that (ongoing calls for constitutional revisions) is coming from the U.S. side,” and the Social Democratic Party chief Fukushima Mizuho commented that “there is no reason for someone from another country to have anything to say about our Constitution.” “Armitage’s remarks puzzle lawmakers,” *Asahi Shimbun*, July 26, 2004.

<sup>64</sup> After the article of the New York Times reported that the DOD created the Office of Strategic Influence, there were so many critical views that the DOD closed down the office. James Dao and Eric Schmitt, “Pentagon Readies Efforts to Sway Sentiment Abroad,” *New York Times*, February 19, 2002. The

### 7-3. Trajectory of alliance contributions

In section 1 and 2, various factors that may affect Japan's contributions to the alliance were examined. In this section, the possible future change of alliance contributions, both from the data available today such as budget and policy and from the plausible changes in environment in section 1 and 2 are examined. Considering from the change in environment variables in Section 1, there will be the following change in the alliance contributions: 1) increase of alliance contributions in sum, 2) decrease or no change of financial contributions, 3) decrease or no change in strengthening military forces, and 4) increase of participation in international peace activities. Especially if the government reduces the constraint on military activities, and if the government allows right of collective defense, there would be following discontinuous changes: 1) more participation of Japan's military forces in international peace activities, and 2) contributions on international peace and stability in general.

The current trend of each category of alliance contributions discussed in Part II of this study are observed as follows.

#### 1) Granting the right to station forces in Japan

It may not be impossible, but it would be difficult to increase the space for U.S. bases in Japan, considering the current burden of Okinawa. It is difficult to have an approval from local government and local people. For example, although the U.S. and Japan established the Special Action Committee on Okinawa (SACO) in 1995 "to realign, consolidate, and reduce U.S. military facilities and areas in military facilities and areas in Okinawa" (see p.170, Chapter 6), The U.S. has not returned the base since the Japanese government has not been able to decide where to relocate the facility from the opposition of the Okinawa prefecture's local government.<sup>65</sup> The SACO made a decision in December 1996 that the U.S. will "return Futenma Air Station within the next five to seven years, after adequate replacement facilities are completed and operational."<sup>66</sup> The deadline, 7 years from December 1996, was December 2003.

#### 2) Host Nation Support program

The current Special Measures Agreement (FY2001-FY2005) will expire in March 2006. The U.S. and Japan will negotiate the new SMA and conclude an agreement during 2005, if the U.S. and Japan maintains the basic framework for this program. The Japanese government has not made any

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article reported that "The Pentagon is developing plans to provide news items, possibly even false ones, to foreign media organizations as part of a new effort to influence public sentiment and policy makers in both friendly and unfriendly countries, military officials said."

<sup>65</sup> "Futenma Relocation Still Undecided," *Okinawa Times*, Weekly edition, December 6, 2003, [www.okinawatimes.co.jp/eng/20031206.html](http://www.okinawatimes.co.jp/eng/20031206.html).

<sup>66</sup> The SACO Final Report on Futenma Air Station, Tokyo, Japan, December 2, 1996, [www.mofa.go.jp/region/n-america/us/security/96saco2.html](http://www.mofa.go.jp/region/n-america/us/security/96saco2.html).

formal decision on the new SMA. But according to one newspaper article, the government is going to begin the talk on the content of the new agreement in fall 2004 and the Japanese government would like to decrease the size of annual HNS by 2-3 billion yen from April 2006. The current size of HNS (FY2004) is 143 billion yen for the labor cost, 25.8 billion yen for electricity and water, and 0.4 billion yen for relocation cost for training sites. Assuming that this article on unnamed source is true, it is difficult to expect that the size of HNS will increase.<sup>67</sup> The new SMA is analyzed in the next chapter.

### 3) Scope of Japan's role in the Article VI emergency

The National Defense Program Outline (1995) states that the SDF “[S]hould a situation arise in the areas surrounding Japan, which will have an important influence on national peace and security, take appropriate response in accordance with the Constitution and relevant laws and regulations, by properly supporting the United Nations activities when needed, and by ensuring the smooth and effective implementation of the Japan-U.S. Security Arrangements” In other words, Japan will support the U.S. forces in a military conflict near Japan in a supporting capacity. If the right of collective defense is allowed as was explained in Section 2 and it becomes possible to support the U.S. under the Constitution, Japan can do more in that supporting capacity.

### 4) Scope of Japan's role in the emergency outside the scope of the security treaty

The Japanese government is contemplating about the way to increase the contributions in this category. In order to examine the role of Japan for international peace, Prime Minister Koizumi convened the “Advisory Group on International Cooperation for Peace,” chaired by Akashi Isamu, former Deputy Secretary General of the United Nations. The final report states the importance of “peace-building” as follows:<sup>68</sup>

The “Consolidation of peace” refers to support provided to prevent the reoccurrence of conflict, including the promotion of the peace process, the enlargement of humanitarian and rehabilitation assistance, and the securing of domestic stability and security. “Nation-building” refers to support for the creation of political, economic and social frameworks in regions where such instability exists. These above-mentioned activities are collectively known as “peace-building,” which is becoming more diverse in their application in the areas of conflict around the world, and swift and flexible participation is required in their application.” (3. Framework for International Peace Cooperation Activities)

When “peace-building” becomes important in the world, the report pointed out that the Japanese government's efforts are not enough, stating that:

“Since the first participation in the peacekeeping operation (PKO) in Cambodia a decade ago, Japanese activities in the area of international peace cooperation have been gradually expanding. However, it cannot be denied that there is still a considerable gap in scale and

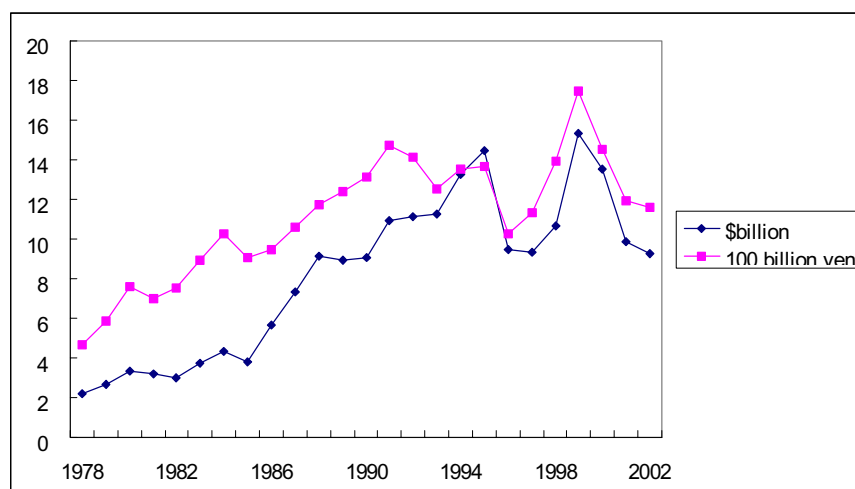
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<sup>67</sup> *Sankei Shimbun*, “Zainichi beigun keihi wo 20-30 oku en sakugen e,” (in Japanese), August 21, 2004.

<sup>68</sup> Advisory Group on International Cooperation for Peace, *Report of the Advisory Group on International Cooperation for Peace*, December 18, 2002.

deployment capabilities when compared to other developed countries. To help bridge the gap, further efforts on a national scale are required.”

Although the Japanese government may go towards expanding international cooperation, the budget for Official Development Aid (ODA) has been decreasing since the late 1990s. Figure 7.9 shows that ODA budget was increasing during the 1980s but decreased in the mid-1990s and has been decreasing again since 2000, reflecting the harsh economic and budgetary condition. In this circumstance, the Self Defense Forces would play more prominent roles.



Source: Data on ODA budget is from OECD. Converted to yen using OECD exchange rate  
Figure 7.9 – Budget for Official Development Aid (current price, 1978-2002)

#### 5) Scope of Japan’s role in the Article V emergency

The NDPO (1995) states that Japan’s Self Defense Forces (SDF), “[S]hould direct aggression occur, take immediate responsive action by conducting an integrated and systematic operation of its defense capabilities, in appropriate cooperation with the United States, in order to repel such aggression at the earliest possible stage.”<sup>69</sup> The question on division of roles between the U.S. and Japan was included in the explanation on the “problem stream” in the last section (see p.229). The principle on the division of roles above may change, reflecting the increasing military capability of Japan. But the change may be symbolic, when the Japanese government recognizes that the possibility of direct attack to Japan with an intention to occupy the land by using a military force is remote.<sup>70</sup>

#### 6) Defense spending

<sup>69</sup> National Defense Program Outline in and after FY 1996 (Adopted by the Security Council and by the Cabinet on November 28, 1995)

<sup>70</sup> Section 2, “On the Introduction of a Ballistic Missile Defense System and Other Measures,” decided at the Cabinet and the Security Council on December 19, 2003. See footnote 36 (p. 224).

The paragraph 3 of the Cabinet decision “On the Introduction of a Ballistic Missile Defense System and Other Measures” (December 2003) states that “When implementing the large-scale project of introducing a Ballistic Missile Defense (BMD) system, the Japanese government will review radically the present Self Defense Forces’ organization and equipment to improve their efficiency, and will constraint the defense spending, taking into account Japan’s harsh economic and fiscal condition.” This means that the Japanese government will not increase the size of defense spending, departing from the past trend – about and less than 1% of GDP for defense spending, even if it decides to introduce the BMD system.

The emerging trend of alliance contributions from the currently available data and policy was explained above. In sum, elements of contributions that are financial including HNS, defense spending or ODA will be restrained, while the contributions to international peace building that involve more active participation of the SDF will be expected to increase. Those reflect the change in the environment discussed in Section 1 and Section 2.

#### 7-4. Possible fault lines

The discussion in previous sections may not take into account uncertainties of the future enough. There should be unknown factors not considered in this study. Those factors may affect the outcome (contributions) non-linearly. For example, Korea may be unified and may go nuclear. Japan’s stagnation may continue for decades with unknown repercussions on foreign policy. Chinese governance system may be fundamentally changed. Terrorists may attack cities in East Asia, or make a threat to attack with a nuclear weapon. A nuclear war may break up in South Asia. Rising energy demand in Asia or environment problems may increase the confrontation among countries. More widespread use of information and communication technology may enhance the mutual understanding of countries or may increase nationalism in countries in this region. The U.S. dominance in the world may collapse unexpectedly. It would be necessary at least to analyze the nature of those factors or categorize them, and how those may affect key variables to decide the outcome.

The study by Wolf et al. (2003) on China’s economy asked the questions: “[W]hat are the major challenges, fault lines, and potential adversities that China’s economic development will encounter over the next decade? How severely will China’s overall economic performance be affected if these adversities occur separately or in clusters?” (p.xv)<sup>71</sup>

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<sup>71</sup> Charles Wolf, Jr., K.C. Yeh, Benjamin Zycher, Nicholas Ebertstadt, and Sung-Ho Lee, *Fault Lines in China’s Economic Terrain*, RAND, MR-1683, 2003

They pointed out eight “fault lines” to slow the future rapid economic growth of China, including 1. unemployment, poverty, and social unrest, 2. economic effects of corruption, 3. HIV/AIDS and epidemic disease, 4. water resources and pollution, 5. energy consumption and prices, 6. fragility of the financial system and state-owned enterprises, 7. possible shrinkage of foreign direct investment, and 8. Taiwan and other potential conflicts. They discussed that, “[T]he probability that none of these individual setbacks will occur is low, while the probability that all will occur is still lower,” but “the probability that several will ensue is higher than their joint probabilities would normally imply” because of interdependencies of those factors. (p.xxi) For analyzing those factors, they “estimate a ‘bottom line’ in terms of expected effects on China’s annual growth rate over the next decade, drawing on a variety of methods, models, and judgments to make these estimates.” (p.xv)

The plausible trend of Japan’s alliance contributions were analyzed in the sections above. The trend could be considered as a base case scenario of the future. But the future is always full of uncertainties and surprises. Are there any “fault lines” in this base case scenario, as in China’s economy in the future?

There are two types of fault lines. One type of fault lines is the divergence from the base case scenario as a result of pure economic calculation of decision makers, assuming that the size and types of contributions is decided by utility maximization (economic model). The relevant variables may not change as was analyzed or assumed. For example, if a large number of Japanese military personnel are killed on a mission abroad, the political cost for decision-makers to use the SDF abroad may become very high for a long time, which makes it difficult to proceed on the path in the base case scenario.

Another type of fault line is the divergence from the base case scenario as a result of a political process, assuming that the size and types of contributions is decided by agenda setting (policy process model). A sudden coupling of the streams can take place even if the move is short-sighted and does not lead to a utility maximization. The move may not make sense in the mid to long run, but become uncontrollable in a policy process. For example, basing rights are often over-determined by short term domestic politics (see the case in the Philippines in footnote 47). A large scale accident around the U.S. bases or a serious crime committed by a US serviceman in Okinawa would affect local sentiment towards U.S. bases in Japan, which can be accompanied by a sudden political movement to ask the return or reduction of U.S. bases.

I list up below the variables and events, scenarios that can have negative effects on the direction to strengthen the alliance relationship. I exclude the scenarios where U.S. interests in the alliance decreases such as a case where U.S. decides to withdraw forces abroad as a result of a change in international situation.

- Local oppositions in Japan to U.S. bases (Okinawa-related and others)
- Alliance failure to stop an attack to Japan (Korea-related, China-related, terrorism and others)
- U.S. criticism towards Japan's low contribution during a conflict (and unreasonable demands to Japan)
- A large scale casualties of Japan's military personnel during a mission abroad
- Large change in international situation in East Asia (Korea-related, China-related, Russia-related, and others) (while U.S. interests in maintaining the bases in Japan continue)
- Oppositions of neighboring countries to the strengthening of the U.S.-Japan alliances and their repercussions
- Opposition among the public of Japan to U.S. policies (related to the alliance or other areas)
- Negative effect of problems in other policy areas (economy or foreign policies) on the alliance relationship

They can be interdependent, as the causes in the Wolf et al.'s study. Table 7.1 shows their possible interdependencies. For example, if an alliance does not function to deter an attack, 1) opposition both at local and national level may increase, 2) local opposition to US bases may increase, 3) opposition to U.S. foreign policy in general may increase, and 4) problems in other policy area may be more likely to have negative effects on the alliance. Multiple causes can take place simultaneously and can intensify each other.

Table 7.1 – Possible interdependencies among fault lines  
[Cause]

[Consequence]	Local opposition to bases	Alliance failure	U.S. criticism during a conflict	Large scale casualties of military personnel	Change in international situation	Opposition to U.S. policies	Problems in other policy areas
Local oppositions to bases		↙	↙	↙	↙	↙	↙
Alliance failure							
US criticism during a conflict							↙
Large scale casualties of military personnel							
Change in international situation							
Opposition to U.S. policies		↙	↙	↙			↙
Problems in other policy areas		↙	↙	↙	↙	↙	

Note: Black arrow means “a fault line (cause/column heading) is likely to affect the occurrence and/or severity of another (consequence/row heading)” (Wolf et al., 2003, p.xxii).

#### 7-5. U.S. Policies

*The National Security Strategy of the United States of America* (2002) states the goals and means of the U.S. security strategy as follows:

Our goals on the path to progress are clear: political and economic freedom, peaceful relations with other states, and respect for human dignity.

To achieve these goals, the United States will:

- champion aspirations for human dignity;
- strengthen alliances to defeat global terrorism and work to prevent attacks against us and our friends;
- work with others to defuse regional conflicts;
- prevent our enemies from threatening us, our allies, and our friends, with weapons of mass destruction;
- ignite a new era of global economic growth through free markets and free trade;
- expand the circle of development by opening societies and building the infrastructure of democracy;
- develop agendas for cooperative action with other main centers of global power; and



- transform America's national security institutions to meet the challenges and opportunities of the twenty-first century.<sup>72</sup>

The plausible change in Japan's future alliance contributions in the mid to long term, as was discussed in previous sections, matches the U.S. goals and the means, since Japan is in the direction of strengthening the alliance with the U.S. and of increasing alliance contributions, especially for international peace cooperation. But the U.S. could promote Japan's contributions more or adjust the composition of alliance contributions.

The basic principle is that it is better to influence the environment that results in the current and future composition of Japan's alliance contributions, than trying to change the output, assuming that the Japanese government calibrates the alliance contributions as an optimal reaction to its environment. Increasing foreign pressures to change other country's policies is only one of the policy options. To demand the change in alliance contributions themselves directly so that they will change in the direction which departs from Japan's optimal reaction to the environment for security policy will increase the friction between the U.S. and Japan.

The U.S. policies to influence the Japanese alliance contributions include the following:

1. To support the Japanese government's diplomatic effort to become a permanent member of the U.N. Security Council (p.210) → increase of autonomy (diplomatic relations)
2. To support by encouraging, if Japanese government allows the use of right of collective defense (p.211) → increase of autonomy
3. To make sure Japan's perception on the U.S. defense commitment reflects the reality while maintaining its reliability (p.211) – alliance autonomy (spillover)
4. To encourage Japanese government to decrease the priority on domestically developed weapons (p.214) → decrease of cost of armament
5. To support development in Okinawa (p.220) → decrease of cost of alliance autonomy
6. To share perceptions on regional situation with Japan while to promote transparency in each country's defense spending and defense policy in the region (p.221) – preference on security and non-armament goods
7. To promote research and technological cooperation to increase the productivity of the armament (and alliance) (p.223) – marginal productivity of armaments and alliance to increase security
8. To promote intelligence cooperation to increase the productivity of the armament (and alliance) (p.224) - marginal productivity of armaments and alliance to increase security
9. To promote security dialogue so that Japan's policymakers know what the U.S. expects from the alliance, in a reciprocal way (p.224) – alliance function
10. To exchange know-how and share intelligence on counter-terrorism so that the characteristics of counter-terrorism may not hinder cooperation (p.226) – alliance function
11. To influence problem stream rather than on policy stream to avoid impression of foreign manipulation (p.233) – agenda and streams
12. To support Japan's diplomatic efforts to assuage neighboring countries' concerns that Japan may become a regional political and military power (p.234) – agenda and coupling of streams

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<sup>72</sup> White House, *The National Security Strategy of the United States of America*, September, 2002, p.1.

Figure 7.10 shows the relationship of those measures with two conceptual models based on utility maximization and agenda setting. There are various points in the policy making logics and process and the alliance system where the U.S. can exert influences. There would be measures other than the ones discussed, and listed here in each of the points in the process and system. Although the analysis in this chapter is about Japan's contributions to its alliance with the U.S., other country's contributions to alliances can be a topic for using the same kind of analytic framework.

In addition, although the framework depicted in Figure 7.10 was used for analyzing policy options comprehensively, if the U.S. wants other country, whether traditional allies or potential ad-hoc partners, to provide some specific element of cooperation, it would be valuable to use the framework by considering where that element of cooperation is located in Figure 7.10, where the hurdles are, and how the U.S. can influence the country to supply that element.

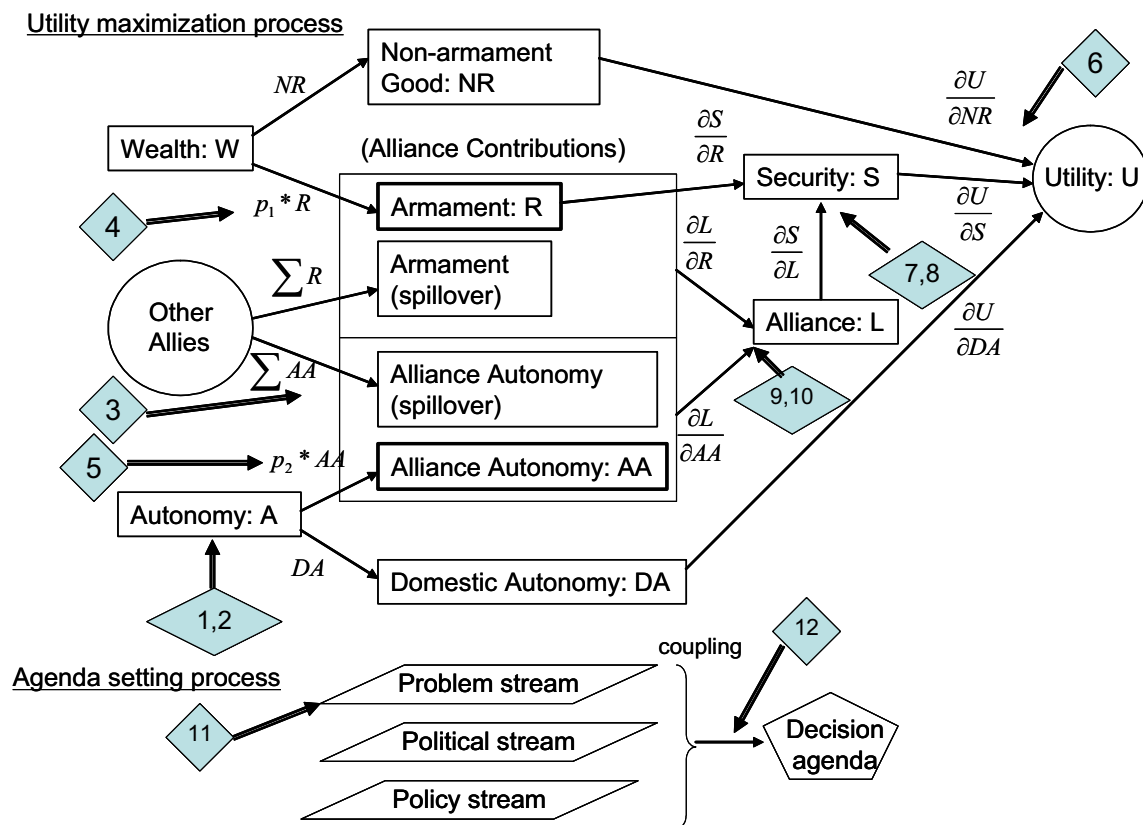


Figure 7.10 – U.S. policy levers and conceptual models on alliance contributions

What are the U.S. policies to deal with possible fault lines? Wolf et al.'s study on the Chinese economy explained that "to mitigate the stresses engendered by these fault lines will demand an enormous and continuing array of consultations, negotiations, and transactions among China's central and provincial governments and the Communist Party apparatus" (Wolf et al., 2003, p.179).

The same would apply to the fault lines in the U.S.-Japan security alliance. That is, dialogue and negotiations, taking into account long term benefits to both, and management system to cope with an alliance crisis, would be necessary.

## ***Chapter 8***

### ***Policy analysis on the Host Nation Support program (short-term analysis)***

In this chapter, the Host Nation Support (HNS) program is looked at as a policy analysis on alliance contributions using the conceptual models on a short term.<sup>1</sup> The current Special Measures Agreement (SMA) (April 2001 - March 2006) for HNS expires in March 2006,<sup>2</sup> and the negotiation for the next SMA is going to start in late 2004 or early 2005 (see p.235). The HNS is examined from the standpoint of Japan. Then how the U.S. should face to the negotiation on the next SMA is examined, so that the outcome may match the U.S. interests more.

#### 8-1. Views and issues on the Host Nation Support program

In this section, various views and issues on the current and future HNS are looked at as an introduction to the analysis in the following sections. Views and analysis on HNS reviewed here include not only long analytic studies but also short newspaper articles, brief policy memoranda, or short essays on policy topics. The views and analysis are classified into those supportive of HNS and those not supportive of HNS.<sup>3</sup>

##### 1) Supportive views on HNS

Roughly speaking, there are two (or three) types of supportive views: a) Japan has to make a large financial contribution since its contribution in the areas that accompany the use of military forces is limited, and b) the size of HNS is actually not so large relative to its capacity (in addition, most of HNS is used for the salary of the Japanese workers at the U.S. bases in Japan).

##### a) Japan has to make a large financial contribution.

Okazaki Hisahiko, who is a former diplomat and ambassador, wrote a newspaper opinion article<sup>4</sup> on HNS during a negotiation of the Special Measures Agreement in 2000. He emphasized the value of HNS as “brand names” of Japanese contribution for gaining support for the alliance from the U.S. Congress. He reasoned that financial contribution is the only contribution that Japan can make for that purpose when the Japanese government restricts the cooperation with the U.S. through the use of force. He also pointed out that the Japanese government needs a “brand-name” such as HNS to persuade the U.S. Congress. The following is the excerpt:

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<sup>1</sup> See Chapter 4 (p.47) on the basics of the HNS such as its legal interpretation, budget trend, or international comparison, and Chapter 5 on its history since the late 1970s.

<sup>2</sup> On the relationship among the Host Nation Support (HNS), the Special Measures Agreement (SMA), and the Status of Forces Agreement (SOFA), see p.51.

<sup>3</sup> One article can have both parts.

<sup>4</sup> Okazaki, Hisahiko, “Penny-Wise, Pound-Foolish,” *Sankei Shimbun*, February 15, 2000.

U.S. public opinion and the Congress reigned supreme in the world during the 20th century. Indeed, dealing with the U.S. Congress was, and still is, a matter of life and death to nations around the world. Granted, Japan has less talent to deal with the U.S. Congress than English-speaking nations, such as Britain and Canada. It is no exaggeration to say, however, that this special budget is the only and the biggest "brand name" Japan holds at present. Japan should not stint on this spending, in much the same sense that private-sector companies should not cut back on expenses essential to maintain their brand names.

The "omoiyari" budget<sup>5</sup> was conceived in the realization that Japan, being unable to cooperate with the U.S. through the use of force, should cooperate financially as much as possible. I do not think that this money-centered approach can be continued indefinitely because the alliance could be endangered if Japan watched from the sidelines when U.S. soldiers shed their blood in a military crisis in a surrounding area. In the present circumstances, however, money is the only thing Japan can provide in place of a direct military contribution. We should realize the grave implications of stinting even on such financial support.

b) The size of HNS is not large relative to Japan's economic size.

Michael Green at the Council of Foreign Relations, who is a political scientist and expert on Japanese politics, touched on the HNS negotiation in his comment on events on U.S.-Japan relations in the 1st quarter of 2000.<sup>6</sup> He defends the HNS arguing that the size of HNS is only less than 0.25% of the Japanese government's budget, the USFJ uses most of the HNS for paying the salaries of Japanese workers at the U.S. bases in Japan and uses very small proportion of the HNS for building recreational facilities.<sup>7</sup> He explained that:

The Special Measures Agreement on Japanese financial support expires at the end of FY 2000 and the new figures must be included in Japanese budget outlines by this summer. The U.S. government -- and particularly the U.S. Embassy in Tokyo -- waited and watched nervously this last winter as more and more Japanese politicians and journalists attacked the so-called "sympathy budget" for its "wasteful spending" on bowling alleys and golf courses for the U.S. military. In fact, the majority of spending under HNS goes not to the United States but to Japanese workers on U.S. bases and the budget is very rarely used for recreational facilities. Moreover, the HNS budget averages less than 0.25 percent of the Japanese budget, compared with the 3 percent of GDP that the United States spends on defense. But nobody in the Japanese government or LDP was making these arguments. Indeed, the quiet consensus view in the Ministry of Foreign Affairs (MOFA) and the Japan Defense Agency (JDA) was that a symbolic cut was necessary, given Japan's soaring budget deficits. The Ministry of Finance (MOF) Budget Bureau, which must ultimately approve the budget, was even more aggressive. The Budget Examiner for defense, Shunsuke Kagawa, is a veteran of the contentious U.S.-Japan negotiations over insurance, and has charged into his new job determined to find the weak spots in the traditional arguments for HNS.

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<sup>5</sup> See p.69 and footnote 7 in Chapter 5.

<sup>6</sup> Green, Michael Jonathan, *The Security Treaty at 40-Strong but with Complaints about Back Pain, Comparative Connections* (A E-Journal on East Asian Bilateral Relations), Pacific Forum CSIS, January-March 2000.

<sup>7</sup> Thomas Foley, U.S. ambassador to Japan, expressed the same kind of view in 2000. See p.94 in Chapter 5.

Charles Wolf and others (2000), who are economists, briefly discuss the HNS in their report on Asian economic trends and their security implications.<sup>8</sup> The authors point out that burden-sharing by U.S. allies such as Japan and South Korea is important because the U.S. shoulders larger burden for security (economic reason) and joint nature of an alliance asks for it (political reason). Then, the authors argue, specifically to the Japanese situation, that reduction of HNS would not contribute to the recovery of the Japanese economy at all, since foreign reserves do not constrain the Japanese economy different from South Korea. They concluded as follows (p.76-77):

Notwithstanding the serious structural problems besetting the Japanese economy, as discussed in Chapter Two, there is no convincing economic reason why Japan's cost-sharing burden should be reduced, especially in light of Japan's huge foreign exchange reserves. Were the United States to defray with dollar outlays a portion of Japan's burden sharing of in-country costs, the net effect would simply be to add to these foreign exchange reserves.

However, there might be a political reason for some modest reduction in Japan's burden sharing – as a testimonial by the United States to its alliance commitment with Japan. Although our forecasts for Japan's future growth envisage only very modest rates through 2015, there is no evident way in which a reduction of Japan's burden sharing of the joint alliance costs would contribute to higher GDP growth. Gradual changes in the structural rigidities of the Japanese economies would not in any discernable way be accelerated by reduced burden sharing.

The lead author of this study compared the size of the HNS also with the size of GDP, military spending and military capital stock (see p.221 on the concept), and concluded that the size of HNS is still modest since the economic capacity of Japan is large<sup>9</sup>. The conclusion is as follows:

“The costs of U.S. alliances with Japan and Korea are quite modest in relation to the aggregate measures of economic capacity previously discussed: namely, the GDPs, military spending, and military capital of alliance members. From the standpoint of the United States, in particular, the alliance costs are especially small, both because the economic aggregates for the United States are large and because the sharing of costs by Japan and Korea is relatively high.”

“Although the alliance costs are relatively larger for Japan and Korea because their respective GDPs and military spending aggregates are considerably smaller than those of the United States, the alliance burdens they bear are still modest compared with their economic capacities.”

## 2) Negative views on HNS

Roughly speaking, there are three types of negative or unsupportive views on HNS: a) the U.S.-Japan alliance should adapt to a new international situation and domestic condition, and so should HNS, b) the U.S. Forces in Japan (USFJ) use HNS wastefully; for example, they do not save the use of electricity or water, and construct golf courses or large houses by HNS, and c) Japan does

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<sup>8</sup> Wolf, Charles, Jr., Anil Bamezai, K.C. Yeh, and Benjamin Zycher, *Asian Economic Trends and Their Security Implications*, RAND, MR-1143-OSD/A, 2000.

<sup>9</sup> Wolf, Charles, Jr., and Michele Zanini, *Benefits and Burdens: The Politically Dominated Economics of U.S. Alliances with Japan and Korea*, Occasional Papers, Asia/Pacific Research Center, Stanford University, April 1998.

not have any obligation under the security treaty and the Status of Forces Agreement to support the USFJ financially. Within the people identified with those types of negative views,<sup>10</sup> some ask for revision of HNS, including decrease of the size, while others ask for its end. Some are strong supporters of the alliance while others are not.

a) Change of environment should lead to revision of the alliance, including HNS.<sup>11</sup>

Hosokawa Masahiro, who was the Prime Minister between August 1993 and April 1994, wrote an article in *Foreign Affairs* (1998).<sup>12</sup> While acknowledging the importance of the alliance with the U.S., he insisted a drastic reduction of the U.S. force's presence in Japan and reduction of HNS in a changed international situation around Japan and from financial reason of Japan. He states specifically on HNS as follows:

“As the common threat presented by the Cold War diminishes, it is natural for the Japanese people to be skeptical of the U.S. military presence. The American military bases cost Japan \$4 billion annually. If foregone rent and other revenues are included, Japan's annual burden jumps to \$5 billion, at a time when the Japanese government faces a serious financial crisis. In terms of cost-sharing, Japan bears the largest burden among U.S. allies for maintaining U.S. forces, with Germany and South Korea paying \$60 million and \$290 million, respectively. By a 1995 Special Measures Agreement, Japan is committed through the year 2000 to pay the salaries of 24,000 civilian employees at the bases, the utility costs, including energy, water, and communications, and most of the construction expenses. This burden to Japanese taxpayers hangs like a darkening cloud over the future of the alliance. Japan should honor the 1995 agreement but put America on notice that it will not renew the agreement in 2000.

It is the business of statesman, not bureaucrats or generals, to plan for the future. The U.S. military presence in Japan should fade with this century's end. The time has come for the leaders of Japan and the United States to discuss an alliance fit for the next century.”

Kitaoka Shinichi, who is a political scientist in Japan, wrote on the HNS's negotiation in 2000 in his opinion column in March edition of *Chuo Koron (Central Review)* magazine. He first pointed out that “The problem is the Special Measures Agreement in 1987 and 1991. The Japanese economy was at the apex of the bubble economy and had started to collapse. As a result, the content of those SMAs had become too generous.” He then argued that “HNS shows the trend in the U.S.-Japan

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<sup>10</sup> There are other types of negative views. For example, one foreign policy analyst argues that the size of HNS is exaggerated since it includes indirect cost such as land value, and HNS works to perpetuate Japan's dependence on the U.S. for protecting its security. (Carpenter, Ted Galen, "Paternalism and Dependence: The U.S.-Japanese Security Relationship," *Cato Institute Policy Analysis*, Washington DC: Cato Institute, November 1995).

<sup>11</sup> This view is the same as the logic of the models on alliance contributions in this study in that “change of environment” should lead to the change in Japan's contributions. The difference is with regard to the value put on the alliance for increasing Japan's security in a new environment.

<sup>12</sup> Hosokawa, Morihiro, “Are U.S. Troops in Japan Needed?: Redefining the Alliance,” *Foreign Affairs*, July/August 1998, pp.2-5. Although Mr. Hosokawa is a former Prime Minister, his view does not necessarily reflect the mainstream thinking among political leaders in Japan. He was the leader of the new opposition party which he organized in May 1992, when he became unexpectedly the Prime Minister of a coalition government of 8 parties in August 1993, which ended the LDP's rule since 1955.

alliance that Japan contributes only financially, without any principle on burden-sharing. It would be inevitable that the Japanese government will change the size of the HNS in order to become a 'normal' country." And "it would be possible to make a more rational form of contributions. By increasing the sharing of roles in other areas for contributions, it would be possible to proceed to the direction of more mature U.S.-Japan alliance relationship."<sup>13</sup>

Mainichi Shimbun's opinion article (May 2, 2000)<sup>14</sup> is representative of this line of argument in the media.

"What is needed now is to discuss widely among the general public on the appropriate level of burden for Japan, for example, on issues such as why the alliance with the U.S. is necessary now, what kind of contribution Japan can do and cannot do, taking into account the current state of Japan-U.S. security arrangement. We also have to reconsider whether it is sustainable that only Okinawa assumes excessive burden. When I try to begin these kinds of discussion with Foreign Ministry officials, they argue vehemently. 'We can do such discussion only when we revise the Constitution and allow the right of collective self defense. But it is less expensive to maintain the current framework of burden sharing now.' 'If the U.S. reduces commitment as a result of reducing HNS, that means the end of Japan.' I think it is not possible in the 21st century to continue this kind of thinking, that is, not to see the ambiguity of the characteristics of burden and the size of money and to pursue the national interest only in short time span."

Japan Times editorial (March 23, 2000) recommends rethinking on HNS based on reversed financial and economic conditions of Japan and the U.S.<sup>15</sup> The assumption of the argument is that HNS started as a temporary relief for the U.S. in a recession during the 1970s and 1980s.<sup>16</sup>

Washington's request that Japan maintain its "sympathy budget," or special host-nation financial support for the U.S. forces stationed here, has drawn a cool reception from the Japanese government and the media. During his visit here last week, U.S. Defense Secretary William Cohen repeated that request to Foreign Minister Yohei Kono and his Japanese counterpart, Mr. Tsutomu Kawara. Japan's dulled enthusiasm for the outlays is attributed to a reversal in economic fortunes. When the current formula was worked out unilaterally by Japan in 1978 to help ease the U.S. financial burden, the United States was plagued with huge fiscal deficits. Now that the U.S. government is producing a gigantic budget surplus -- in sharp contrast to Tokyo's ballooning deficit -- the prevailing perception here is that it does not stand to reason that Japan alone should continue to shoulder this burden.

b) U.S. Forces in Japan uses HNS in a wasteful manner.

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<sup>13</sup> Kitaoka Shinichi, "Omoiyari Yosan no Sakugen," (reduction of the sympathy budget), *Chuo Koron*, (in Japanese), March 2000, pp.42-45.

<sup>14</sup> Sato, Chiyako, "Beigun Churyuu Keihi no Minaoshi" (Reconsidering stationing costs of the U.S. forces in Japan), *Mainichi Shimbun*, in Japanese, May 2, 2000, p.4. From American Embassy, Tokyo, Political Section, Office Of Translation Services, *Daily Summary Of Japanese Press*, Tuesday, May 9, 2000.

<sup>15</sup> Japan Times, "Scrutinize the 'sympathy budget'", March 23, 2000.

<sup>16</sup> The Ministry of Foreign Affairs explained the first SMA in 1987 by saying that the spending was "limited in scope (part of labor costs), provisional in period (5 years), and exceptional to the SOFA," which means that the decision on the spending for HNS depends on situations, different from provision of bases for U.S. forces, in that the latter does not depend on situations.



Maeda Tetsuo<sup>17</sup>, who is a journalist and researcher on the Japanese military, analyzed the HNS in his book (2000). He cites many examples of “wasteful” spending and spending for entertainment purposes of the HNS and argued that the Japanese government should end the HNS. He also argued that one of the reasons why the U.S. continues to station its forces in Japan, especially in Okinawa, after the end of the Cold War, is that the Japanese government’s financial support for the U.S. forces by the HNS is much more generous than any other U.S. allies both in the region and in the world (p.147).

In the HNS lawsuit at the Osaka District Court in 1999, the plaintiffs criticized that the USFJ used the spending for facilities (Facilities Improvement Program) uneconomically for constructing housing, restaurant, hamburger stand, banks, disco, bar, night club, schools, gyms, theaters, aerobics school, or drug addict facilities, and argued that the HNS as such, which makes the activities of the USFJ possible, is against the Constitution, specifically against the peace principle of Article Ninth. Although this lawsuit by leftist citizen activists did not necessarily represent the public thinking on the HNS, major newspapers including Asahi, Yomiuri, and Mainichi Shimbun reported this lawsuit.<sup>18</sup>

Ohta Nobumasa, who is a former senior official of the Japan Defense Agency and the Defense Facilities Administration Agency, recommended in his book in 2000<sup>19</sup> to end the HNS in ten years. He said that the HNS biases the efficient resource allocation of the USFJ. As a result of the provision of the HNS, there is no incentive for the USFJ to reduce the size of the local labor at the U.S. bases, and also no incentive for the military personnel and their families to save electricity or other utilities. He argued that the resulting negative image of the USFJ would damage Japanese people’s trust in the alliance relationship with the U.S. (p.78-79).

Mainichi Shimbun’s opinion article (May 2, 2000)<sup>20</sup> cited above has another paragraph on wasteful spending. In addition, Okazaki’s supportive view, as I explained above, also expressed about the possibility of wasteful spending. The part of the Mainichi Shimbun’s article is as follows:

The argument focusing on the basic nature of the security alliance is one thing, but extravagant expenses by the U.S. forces is another. Japan has raised such questions: ‘Isn’t it odd that HNS is being used for golf courses?’ and ‘Isn’t the U.S. military wasting electricity and water because it does not have to pay for them?’ In response, the U.S. has just reiterated. ‘We have implemented strict cost controls.’ But their explanations are far from persuasive.

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<sup>17</sup> Maeda, Tetsuo, *Zainichi Beigun Kichi no Shusbi Kessan* (Earnings and Expenditures of the U.S. Forces in Japan), Chikuma Shinsho, July 29, 2000.

<sup>18</sup> *Asahi Shimbun*, p.33, *Yomiuri Shimbun* (Osaka), p.2, March 30, 1999. *Asahi Shimbun*, *Mainichi Shimbun*, September 29, 2000. The Osaka District Court dismissed the case in March 29, 1999, and the Osaka High Court dismissed the appeal in September 28, 2000. The Tokyo District Court (April 23, 2001) and the Tokyo High Court (November 17, 2000) dismissed the same kind of case on the HNS in Tokyo. Maeda Tetsuo, whom I explained above, testified for the plaintiff at the Osaka High Court in May 23, 2000.

<sup>19</sup> Ohta, Nobumasa, *Boeicyo Saisei Sengen* (Declaration to Rebirth the Defense Agency), Nihon Hyoron sha, (in Japanese), July 2001.

<sup>20</sup> Sato, Chiyako, *Mainichi Shimbun*, May 2, 2000, p.4.

The article of Asahi Shimbun (January 19, 2000)<sup>21</sup> reported a story on the change of the position of the Ministry of Finance during the negotiation of the Special Measures Agreement in 2000. This story showed that not only citizen activists, researchers or journalists, but also officials at the Ministry of Finance are not sure whether the USFJ uses the HNS without waste.

“Last September, Shunsuke Kagawa, the Finance Minister’s Budget Examiner, took unprecedented action. He toured the U.S. Yokosuka Navy Base, Atsugi Naval Station, Yokota Air Base, Kadena Air Base, and Futenma Air Station. At each U.S. base, the budget examiner explained Japan’s tight financial position. Moreover, he asked US officers on the spot whether their equipment was financed by the US or by Japan’s Host Nation Support (HNS).”

“The Finance Ministry has never raised any objections about the HNS that was worked out between the Defense Agency and the U.S. Forces in Japan (USFJ). The HNS was a ‘sacred domain’ so to speak. The Finance Ministry desired to tap into the sacred domain. Yet it has kept its hands off for fear that such might escalate it into a bilateral problem.

Budget Examiner Kagawa’s action broke the taboo. Kagawa’s action was in line with Budget Bureau Director General Toshiro Muto’s instruction: ‘Boosting the economy is our top priority. At the same time, the Ministry is going to review the budget closely in order to avoid waste.’ Kagawa refused to recognize what had been agreed upon between the USFJ and the Defense Facilities Administration Agency (DFAA) and urged the HNS be slashed.

DFAA: ‘Such will destroy relations of trust with the USFJ. With the Okinawa Summit coming up in July 2000, we should not rub the United States the wrong way.’

Finance Ministry: ‘The financial positions of Japan and the United States have now been reversed. The security arrangement needs to be convincing to the people of Japan.’”

c) HNS is not an obligation under the alliance treaty and the SOFA.

Charmers Johnson, who is a political scientist, criticizes the HNS in his book on U.S. foreign and military policy’s negative consequences, arguing that there is no legal obligation for Japan to share with the U.S. its stationing costs under the alliance treaty and the Status of Forces Agreement. He also argues that the U.S. should “extricate [ourselves] from our trade-for-military-bases deals with rich East Asian countries, even if they do not want to end them”<sup>22</sup> (p.228). Maeda and plaintiffs of the lawsuits above also expressed this view.

### 3) Issues

The arguments on the current Host Nation Support in Japan can be summarized as follows:<sup>23</sup>

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<sup>21</sup> Asahi Shimbun, “US-Japan Security Treaty marks 40<sup>th</sup> anniversary (Part 1): Bureaucrats, lawmakers begin to raise questions about U.S.-centered policy direction and ‘sacred domain,’” January 10, 2000. From American Embassy, Tokyo, Political Section, Office of Translation Services, *Daily Summary of Japanese Press*, Thursday, January 20, 2000.

<sup>22</sup> Johnson, Chalmers, *Blowback: The Cost and Consequences of American Empire*, First Owl Books, 2000. p.228.

<sup>23</sup> What is the relationship of those views with the prescription derived from the model in this study (especially, the discussion in Chapter 5 and 6)? First, those views oftentimes look at only one aspect of the important variables related to the alliance and Japan’s security policy. Second, those various views show that the logic considering more than one aspect will not always win, which makes the analysis on the policy process important (hence, importance of the policy process model on alliance contributions).

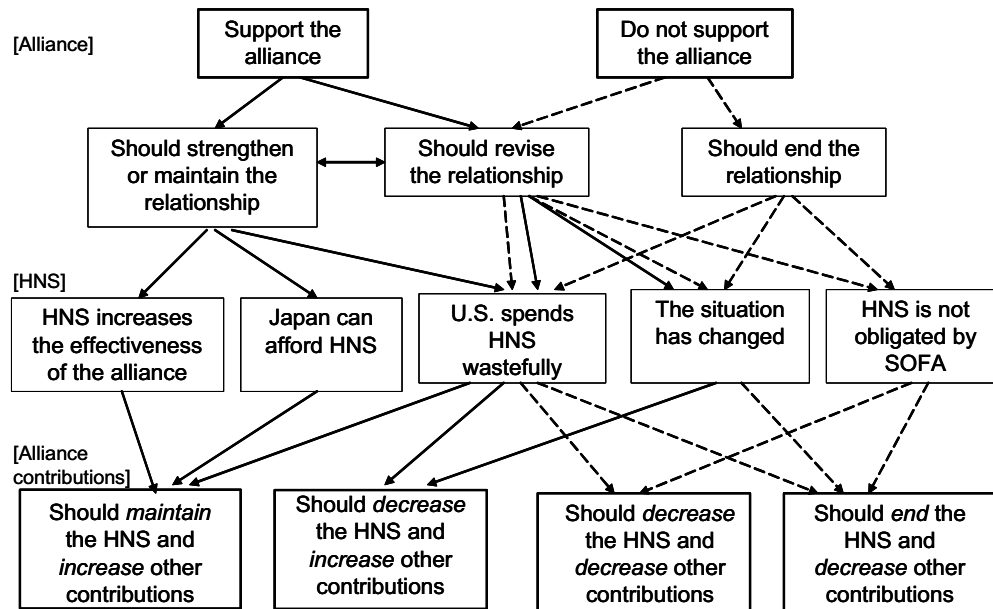
- Should maintain the Host Nation Support, because:
  - The alliance is important for Japan's security and the HNS makes the USFJ, the core of the alliance, effective.
    - i. Japan's military contribution is constrained, while the U.S. shoulders the large human and financial burden for security.
    - ii. The U.S. Congress may criticize and the HNS has a symbolical value to show Japan's contributions.
  - Japan can afford the HNS.
    - i. HNS's size is not large relative to Japan's economic capacity.
- Should revise or end the HNS, because:
  - Although the alliance is important for Japan's security (or, since it is not important anymore), the alliance relationship, including the HNS, should adapt to a new situation.
    - i. International situation changed.
    - ii. Japanese economy and fiscal condition is not good, while the U.S. economy is good.
  - HNS's size is too large and is used wastefully (utilities and recreational facilities).
    - i. Japan's fiscal condition is not good and does not allow any wasteful spending.
    - ii. The HNS gives the U.S. an incentive to maintain forces and bases in Japan.
  - There is no legal obligation for the Japanese government to support the USFJ financially under the security treaty and the SOFA.

The one who argues for the decrease of the HNS either supports or does not support the alliance itself. And the one who argues for the decrease of the HNS either supports the increase of other kinds of contributions or does not support. So Figure 8.1 below adds two more elements to the arguments above: the one is whether to support the alliance or not (top), and the other is whether to argue for the increase or the decrease of other kinds of alliance contributions (bottom)<sup>24</sup>, in order to connect with the discussion in the mid to long term in Chapter 7. Dashed line in the figure shows the link from the one who does not support the alliance, while non-dashed line shows the link from the one who supports the alliance. One notable thing is that both the one who supports the alliance and

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<sup>24</sup> I omit "increase HNS" option for the HNS, since it is unlikely. I omit "maintain other contributions" and "end other contributions" options, for simplicity. From the 3 (maintain, decrease or end) x 2 (increase or decrease) combinations (=6) of choices on the HNS and other contributions, I omit the combination of "maintain HNS" and "decrease other contributions," and "end HNS" and "increase other contributions," since they are unlikely.

does not support the alliance point out the USFJ may be using a part of the HNS for wastefully and no one argued for the increase of the HNS.



Note: Dashed line is from the block "Do not support the alliance" and non-dashed line is from the block "Support the alliance"

Figure 8.1 – Views on the Host Nation Support program

## 8-2. HNS as an alliance contribution: from the standpoint of the Japanese government

In this section, the logics relevant for the Japanese government's decision on the HNS are explored, in order to gain insight for the U.S. policy towards the negotiation on the next Special Measures Agreement (SMA) on the HNS. The Japanese government's standpoint on the HNS is explained, first, as a decision on alliance contributions based on the conceptual models, and second, as a decision involving an international negotiation.

### 1) Decision on the HNS as an alliance contribution

#### a) Conceptual model

The question for the Japanese government would be how to increase the contributions in sum and decrease financial contribution at the same time. Since HNS is a financial contribution, the Japanese government will proceed to the direction of decreasing it, without giving the impression that Japan's alliance contribution in sum will also decline.

The degree of HNS's reduction would depend on the balance of the decrease of the security as a result of the reduction of the HNS and the increase of the utility as a result of utilizing a slacked

resource for other purposes. The conditions to explain the increase or decrease of alliance contributions, including the HNS, is pointed out in Chapter 3. Here is the effect of the change of contributions on utility. What variables will the increase or decrease of alliance contributions affect? In the alliance contributions model, the decrease of the HNS will lead to:

- 1) decrease of alliance (because first, alliance becomes less effective, and second, alliance less provided),
- 2) decrease of security (as a result of 1)), and
- 3) increase of wealth and alliance autonomy.

If 1) and 2) above are very large, there would not be large room for the Japanese government to cut financial contributions. At the same time, utility's change as a result of the decrease of the HNS will depend on both what to use the decreased amount of wealth and alliance autonomy for, and the degree of the effect 1) and 2) above.

As I explained above, whether Japan will be better off as a result of the decrease of the HNS, depends on how the Japanese government can use the increases of the resources. That is, the decrease of the HNS can increase the investment on its own defense capability, or decrease government's debt and fiscal deficit. How is the degree of the effects? To do a quantitative discussion based on the economic model on alliance contributions, those questions are explored next.

#### b) HNS and military investment

Figure 4.7 (p.60) shows the relationship between spending on the HNS and military investment in Japan in the past. During the 1970s and 1980s, both were increasing. But during the 1990s, investment decreased, while the HNS increased. Defense Minister of Japan when starting the HNS wrote in his book that:

“Although it is possible to purchase about 30 F-15s with 20 billion yen (=size of the stationing costs of the USFJ), the U.S.-Japan alliance would be strengthened and became more effective if the Japanese government assume those costs. ...

... It is necessary to recognize that it is not beneficial in the long run to strengthen only Japan's defense capability without taking into consideration the U.S.'s efforts for maintaining global safety and security.”<sup>25</sup>

In fact, the government could increase both investment on its own defense capability and financial support for the U.S. forces during the 1970s and 1980s. But, in a tight budget situation in the 1990s, the spending on military investment or the HNS became a trade-off relationship.

The choice between the HNS as a means to strengthen “alliance” and military investment as a means to strengthen “arms” is analyzed using military capital stock (see p.221). Key factors that are

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<sup>25</sup> Kanemaru, Shin, July 1979, p.189.

relevant in this choice is shown in Figure 8.2 below.<sup>26</sup> The key assumption of the analysis is that the reduction of the HNS makes it possible to increase the same amount of the budget for military investment, which increases the military capital stock for Japan (or, Japan’s “armament”). “Joint military capital stock” in the figure is defined as the military capital stock of the U.S. and Japan which is available for the purposes of the U.S.-Japan alliance (defense of Japan and maintenance of the regional stability). The data on the estimate of military capital stock in the base year (2005) and use of 8 percent as a depreciation rate of military capital stock<sup>27</sup> was from Wolf et al. (2000) and the calculation in the last chapter.<sup>28</sup>

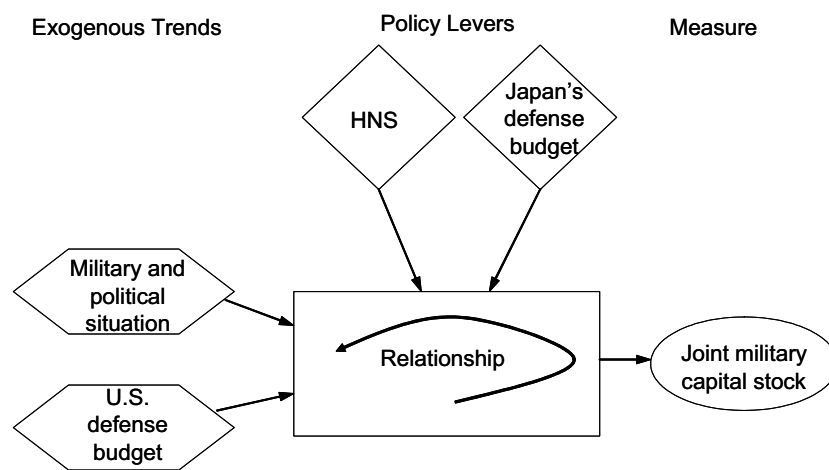


Figure 8.2 – Key factors considered in the analysis

It is assumed that 21% of military spending is used for investment and 5% is used for the HNS in base case. I assume that the government uses all the reduction of the HNS for Japan’s military investment. I use three scenarios: no reduction, 25% reduction, and 50% reduction of the HNS. I describe the model in Figure 8.3. Figure 8.4 shows that the effect of increase of military investment enabled by HNS’s reduction on military capital stock would be small.

<sup>26</sup> The basic scheme and terms (exogenous trends, policy levers, relationship and measures) are from Park, George S., and Robert J. Lempert, *The Class of 2014: Preserving Access to California Higher Education*, RAND Education, MR-971-EDU, 1998.

<sup>27</sup> Military capital stock is calculated as the sum of procurement cost in the year plus 92% of military capital stock in the prior year.

<sup>28</sup> Wolf, Charles, Jr., et al., 2000.

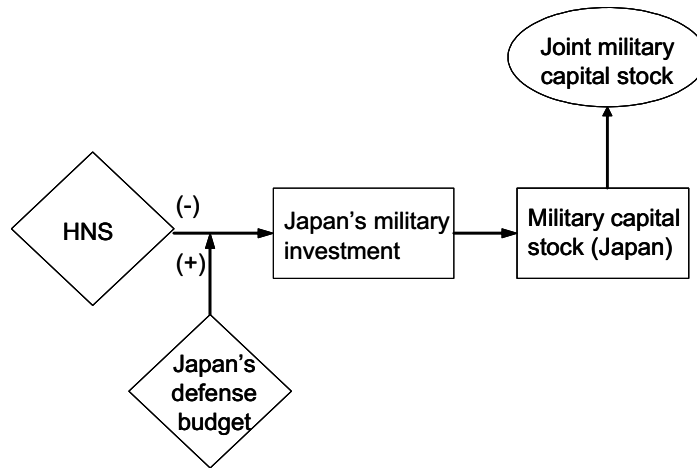
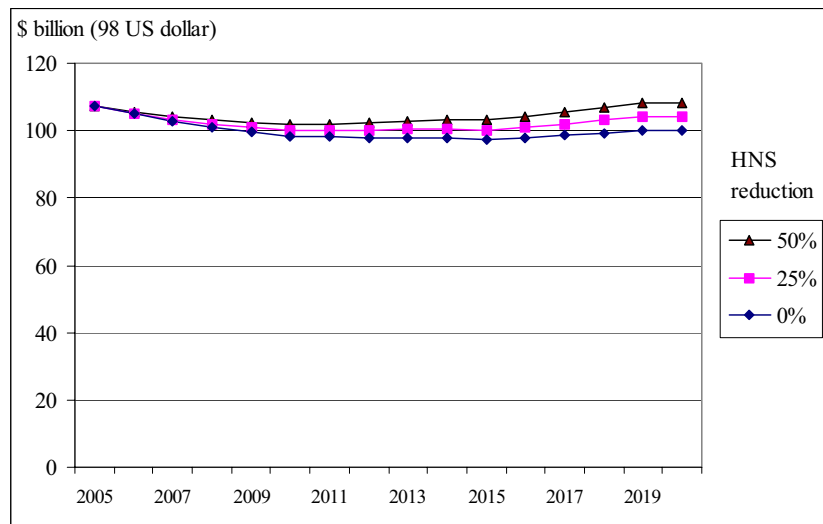


Figure 8.3 – HNS and Japan's military capital stock



Note: For scenarios when reducing the size of the HNS  
 Figure 8.4 – Effect of the reduction of the Host Nation Support on the size of military capital stock of Japan (2005: base year)

Next, I examine the effect of the HNS reduction on the U.S. military capital stock *available for the alliance*.<sup>29</sup> There are two kinds of effects. First, if the Japanese government reduces the HNS and the U.S. government maintains the U.S. budget for defense, the U.S. can increase military investment, which affects the U.S. military capital stock. Second, the HNS affects the U.S. commitment on the U.S.-Japan alliance and the part of the U.S. military capital stock that is available for the alliance.

<sup>29</sup> Japan's military capital stock is 100 percent available for the alliance, since the alliance is for the defense of Japan.

Commitment is defined as the share of the U.S. military capital stock that the U.S. potentially mobilizes smoothly in an emergency that necessitates the action of the alliance.<sup>30,31</sup>

Figure 8.5 describes the model on this part. The HNS affects both the U.S. military investment (first effect) and the U.S.'s commitment on the alliance (second effect). In the figure, elasticity means the ratio of percentage change in the HNS to percentage change in U.S. commitment to the alliance, which is considered to be as a function of military/political situation.<sup>32</sup> First type of effect would be minor, since U.S. defense budget is much larger than the size of the HNS. Second type of effect would be larger compared to the military capital stock of Japan. Figure 8.6 shows this point, by comparing the size of the projected U.S. military capital stock in 2020, and the projected Japanese military capital stock with three scenarios on the reduction of the HNS in Figure 8.4. The data on the U.S. in 2020 is from Figure 7. 8 in the last chapter (p.222).

So the statement in the late 1970s that "It is necessary to recognize that it is not beneficial in the long run to strengthen only Japan's defense capability without taking into consideration the U.S.'s efforts for maintaining global safety and security" is still valid.

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<sup>30</sup> The level of commitment is difficult to estimate quantitatively, although the concept itself is used in the literature on alliance qualitatively. The difficulty of observing it or measuring it in an objective manner is inherent in the concept itself, since the occasion to reveal the degree of commitment is rare. In order to estimate it, however, estimates should come from the analysis on past historical events on the U.S. military interventions, from the analysis on U.S. military strategies, and from the analysis on the U.S. foreign presence of military forces. As to the estimation using historical events, historical events in conflicts in Asia and in other areas, say, during the past 50 years, in terms of the size of forces dispatched should be analyzed. The ratio of the size of forces dispatched and the size of U.S. military forces in total in terms of military personnel, or size of equipment deployed, would be valuable data for estimation.

As to the U.S. military strategies, the U.S. forces are prepared for intervening two military conflicts, such as conflicts in the Korean Peninsula and in the Middle East. So the maximum commitment of the U.S. might be considered very roughly as 50 percent. As to the estimation using the size of overseas U.S. military forces, the size of forces stationing in Japan is about 40,000, which is about 40 percent of the U.S. military forces in the Pacific and about 3 percent of the U.S. military forces in total in terms of the number of military personnel.

<sup>31</sup> This concept of elasticity means that how the percent change in AA (alliance autonomy) or R (arms) affects the percent change in L (alliance) in the alliance contribution model (see Chapter 3).

<sup>32</sup> As to the estimate of elasticity of the U.S. commitment with respect to the size of the HNS, there are the difficulty to estimate the elasticity and the difficulty to estimate the commitment as is stated in footnote above. Among those suggested in footnote 30 on the estimation of commitment, time-series data is available only on the size of U.S. overseas presence. Two possible ways to estimate the elasticity is by examining the past relationship between the size of U.S. forces stationing in Japan and the size of the HNS, and by examining the relationship on other U.S. allies, assuming that other factors that can affect the size of commitment are already controlled for.

But there is no such relationship between the size of forces and size of the HNS. Part of the reason is that there are other factors that affect the level of commitment, the size of stationing of forces in this case, such as the end of the Cold War in the late 1980s. Then, how about the existence of elasticity, or appropriateness of this concept when analyzing the relationship between U.S.'s commitment on the alliance and the size of the HNS? Although there can be a functional relationship between the two, the relationship may not be continuous so as to make it possible to estimate the elasticity. One possibility is that, there is a threshold in the level of the HNS, which depends on the relationship of both countries and strategic importance of the country, and if the contribution is under that level, the commitment of U.S. declines in a precipitous manner as in Figure 3.2 (p.36).



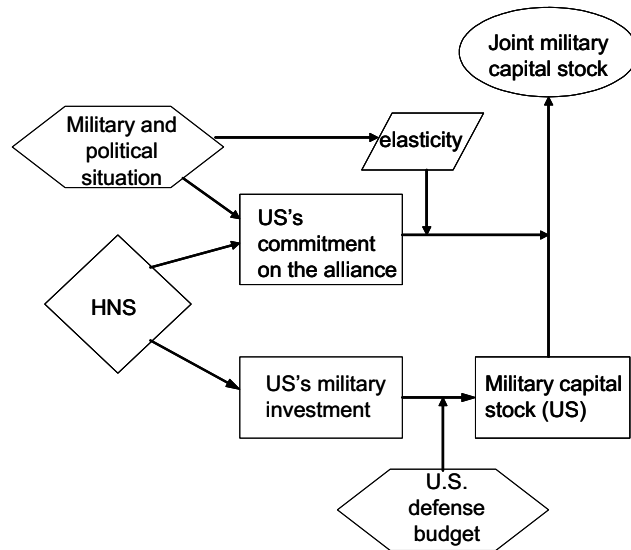
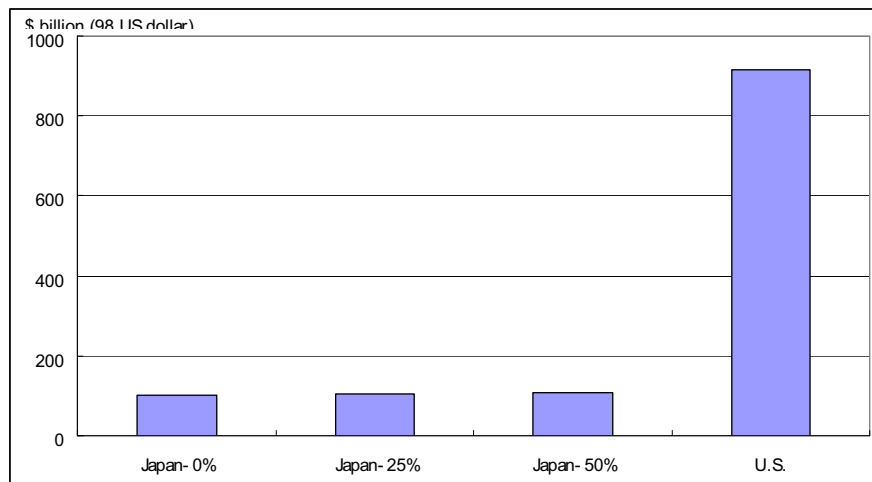


Figure 8.5 – HNS and the U.S. military capital stock



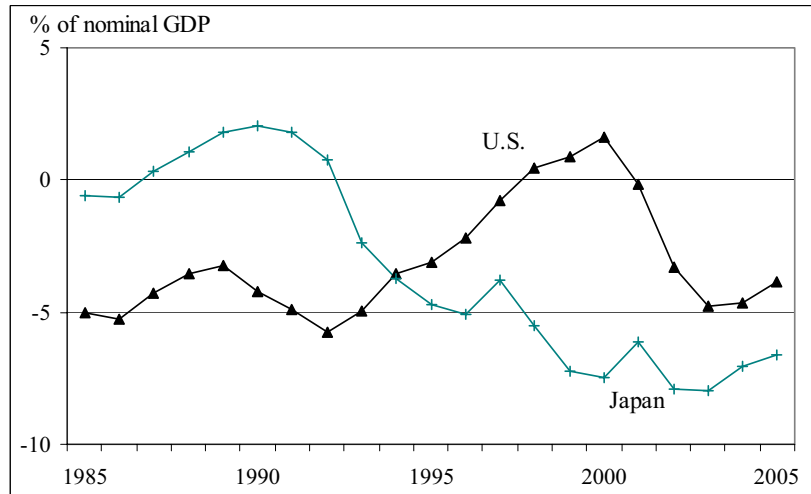
Note: Reduction of 0%, 25% and 50% of HNS. Assume that all the reduction will be used for military investment. See Figure 8.4.

Figure 8.6 – Effect of reduction of the Host Nation Support on the size of military capital stock of Japan: comparison to the projected U.S. military capital stock in 2020

### c) HNS and reduction of budget debt

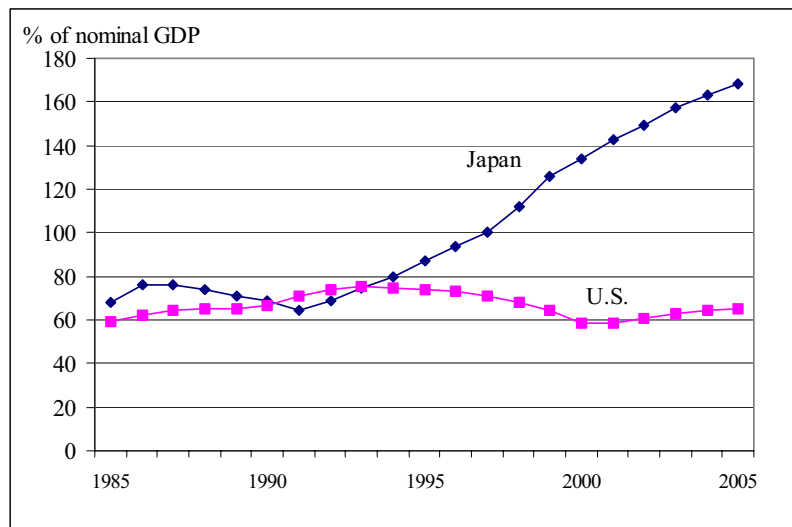
Opponents of the HNS often argue that HNS's size is so large that it is possible to allocate the fund to more useful purposes on a massive scale (construction of schools, hospitals, etc.) or that it is possible to reduce the fiscal deficit by not spending it at all (2) a. and b. in the last section). According to the OECD data, Japan is the only country among G-7 countries whose size of fiscal deficit has been growing during the 1990s. Fiscal deficit in 2004 is 7.1 percent of GDP and fiscal debt in 2004 is 168.6 percent of GDP (Figure 8.7 and 8.8). However, the size of the HNS is about 5

percent of defense budget of Japan, less than 0.4 percent of the annual budget of the central government of Japan, and about 0.05 percent of GDP. So, even if I assume that the Japanese government ends the HNS completely, its effect on the reduction on fiscal deficit and debt is very limited.<sup>33</sup>



Note: data is from OECD, *Economic Outlook 2004*, *Economic Outlook 2002*, general government balance. Negative percentage means deficit.

Figure 8.7 – Fiscal deficit of the U.S. and Japan as percentage of nominal GDP



Note: data is from OECD, *Economic Outlook 2004*, *Economic Outlook 2002*, general government gross financial liabilities

Figure 8.8 – Fiscal debt of the U.S. and Japan as percentage of nominal GDP

<sup>33</sup> Assuming interest rate is 1.5%, annual interest from 168.6% of GDP would be 2.5% of GDP. So, with HNS's reduction, the government can reduce only pay back 2% of the interest.

In sum, considering from the alliance contribution model, the Japanese government is likely to proceed towards maintaining or decreasing the financial contribution such as HNS, but it would not seek a large reduction of HNS in the next SMA, since the effect on the increase of security (by increasing military investment) or the decrease of government deficit would be minimal, if the government is rational and risk-averse (see p. 236).

## 2) HNS and international negotiation

Policy on alliance contributions in a short term needs concrete tactics for a negotiation and consultation. Especially, the HNS involves an actual negotiation on the terms when concluding the SMA. The following could be considered as an “add-on” to the two conceptual models for doing a policy analysis in the short term.

### a) Two-level game model on international negotiation

In the two-level game formulation proposed by Robert Putnam<sup>34</sup>, a process of negotiation between countries involves two stages schematically as below:

- Bargaining between the negotiators that represent each country, leading to a tentative agreement between countries (Level I), and
- Discussions between negotiators and each group of constituents in their own country about whether to ratify the agreement (Level II)

He defines the concept “win-set” as “the set of all possible Level I agreements that would ‘win’ – that is, would gain the necessary majority among the constituents.”<sup>35</sup> In order to reach a successful agreement in Level I, the agreement must fall within the Level II win-sets of each of the parties to the accord, and “[A]greement is possible only if those win-set overlap. Conversely, the smaller the win-sets, the greater the risk that the negotiations will break down.”<sup>36</sup> In addition, the size of win-sets affects the bargaining position of negotiators. That is, “The larger the perceived win-set of a negotiator, the more he can be ‘pushed around’ by the other Level I negotiators. Conversely, a small domestic win-set can be a bargaining advantage.” (p.440)<sup>37</sup>

Putnam explained on the effect of “politicization” of an issue in this model that “the composition of the active Level II constituency (and hence the characteristics of the win-set) also

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<sup>34</sup> Putnam, Robert D., “Diplomacy and Domestic Politics: The Politics of Two-Level Games,” *International Organization*, Volume 42, Issue 3, Summer 1988, pp.427-460.

<sup>35</sup> Putnam, 1988, p.437.

<sup>36</sup> Putnam, 1988, p.438.

<sup>37</sup> This paradox was first pointed out in Schelling, Thomas C., “An Essay on Bargaining” in *The Strategy of Conflict*, Harvard University Press, 1960. He said in the essay that “weakness is often strength, freedom may be freedom to capitulate, and to burn bridges behind one may suffice to undo an opponent” (p.22).

varies with the politicization of the issue. Politicization often activates groups who are less worried about the costs of non-agreement, thus reducing the effective win-set.” (p.445)

b) Two level game model and the HNS

This analytical framework on an international negotiation between sovereign countries is useful for understanding the negotiation on the HNS between the U.S. and Japan, especially the effects of the preferences of the public on the negotiation. The necessity to make a formal international agreement on the HNS politicizes the process of Japan’s supporting the USFJ beyond the small community of U.S. and Japanese security specialists. As a result of politicization of the issue, it becomes important for negotiators of Japan, for example, to be looked by the public, who does not care much about the consequences of a non-agreement, to be critical and tough on wasteful spending by the U.S. forces.

As you can see on the figures on the number of newspaper articles related to the HNS (Figure 5.3 and 5.4, p.79)<sup>38</sup>, the media attention rapidly increases during the time of the negotiation of the Special Measures Agreement (note that the negotiations usually start one year before the actual conclusion of the agreement). During the years when the government and the Diet do not discuss the Special Measures Agreements, media attention on the HNS subsides rapidly.<sup>39</sup> Interests on the HNS among Diet members also increase as you can see in Figure 5.2 in p.78 on the number of questions on the HNS in various Diet committees. The public interest in this issue rapidly increases every 5 years during the SMA negotiation. That would include the people who are not particularly interested in the security relationship between the U.S. and Japan, or does not know about the benefit side of the alliance.

This issue is exceptional in security policy in that the general public and the Diet’s interest are important and the issue takes place every 5 years. Base issue is a problem where the public, especially local people around the bases, are affected directly, but is different from the HNS in that politicization of issues takes place in an unexpected manner such as by a serious crime by a U.S. serviceman. Participants in the policy-making process on the U.S.-Japan alliance usually belong to a community of specialists consisted of bureaucrats and a small number of Diet members in Japan. Since the HNS negotiation has to be through the scrutiny of the general public, the issues such as HNS’s use for construction of golf courses or recreation centers can become easily targets for criticisms in the media and in the Diet.

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<sup>38</sup> The media in the U.S. showed very little or no interest at all on the issue. There were only very few number of articles in the U.S. newspapers on the 2000 negotiation on the Special Measures Agreement. For example, Calvin Sims, “U.S. Resists a Proposal by Japan to Cut Money for U.S. Bases,” *New York Times*, Section A; Page 11, Feb. 16, 2000.

<sup>39</sup> The number of articles that only briefly mention the Host Nation Support is still high, as is seen in the number of articles (TEXT) in Asahi newspaper. However, many articles on the U.S. base issues in the late 1990s only mentioned the HNS as one of the examples of Japanese contribution on the U.S. bases in Japan.

This framework explains why the U.S.-Japan negotiation on the Host Nation Support in 2000 was harder to reach an agreement compared to the SMA negotiations before. Economic and fiscal condition of Japan was worse than in any other recent periods (see Figure 8.7 and 8.8). It was easier for opposition parties and the public to criticize an easily compromised deal. This criticism increases in spite of the fact that the size of the HNS is small compared to the capacity of the Japanese economy as was explained above. The criticism on the HNS can lead to more criticism on U.S. bases in Japan or the alliance itself. The “win-set” for Japanese negotiator became smaller. As a result, the bargaining power of Japan in the negotiation increased, which made it difficult to reach an agreement earlier. The HNS negotiation in 2000 where 3.3 billion yen was cut after a series of long negotiations between the U.S. and Japanese officials, showed the sensitivities among negotiators to the concerns among the public. The hurdle for reaching an agreement can grow considering the current fiscal and economic conditions of Japan. Also if the Liberal Democratic Party’s relative political power against opposition parties weakens, it should become more time-consuming before the Diet ratifies the agreement.

Since these criticisms or “politicization” in a two-level game are related to the “waste” in the HNS and HNS’s effect on the scale of U.S. bases in Japan in the Asia-Pacific region, these issues are looked at next.

#### b-1) Wasteful use of HNS by the U.S. Forces in Japan

One of the criticisms is that the USFJ utilizes the HNS wastefully because it is free. For example, U.S. servicemen may use as much electricity in their homes as they would like to since the support from the Japanese government covers the cost. As a case study of the waste, the number of local workers working at U.S. bases is examined. Since the HNS covers the salaries of those workers, there is no incentive for the USFJ to cut civilian labor costs by reducing the civilian work force.<sup>40</sup> Actually, that is the point of the HNS, since there was labor disputes when the USFJ was trying to cut the labor force in the late 1970s (see p.67). The following figures are for examining whether this claim is legitimate. The following are observations of the figures:

i) The number of Japanese employees has been increasing (Figure 8.9). It is positively correlated with the size of the HNS. Pearson correlation index is 0.95, statistically significant at 0.01 level. The number of local labors and the size of the HNS should be correlated, however, since the budget for local labor’s salaries is one of the major items in the HNS budget.<sup>41</sup>

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<sup>40</sup> Rather, there is an incentive to cut labor costs by converting a position for military personnel to that for civilian personnel, or a position for U.S. civilian personnel to that for Japanese civilian personnel.

<sup>41</sup> HNS basically consist of labor cost and facility cost. So the relationship among the marginal change of the HNS, labor, salary, and facility cost is the following:

ii) The size of local employees per U.S. military personnel is positively correlated with the size of the HNS (Figure 8.10). Pearson correlation index is 0.86 and statistically significant at 0.01 level. Different from the number of local labors, this civilian/military personnel ratio should be basically constant.

iii) Since the ratio of civilian to military personnel is different among military services and the change in civilian/military ratio may reflect the change in the composition of forces, the size of each of the services is examined. The size is increasing in all the services (Figure 8.11).

iv) The correlation between the share of the HNS in the local labor's salaries and the number of local labor per U.S. military servicemen is also examined, to exclude the items in HNS not related to the hiring of Japanese employees (Figure 8.12). Again, those are correlated with Pearson's correlation index of 0.90, which is statistically significant at 0.01 level.

v) The average size of 0.6 for civilian/military ratio is above the average of U.S. overseas bases, and about the same as the average for bases in the continental U.S. (Figure 8.13).

Since there are no reasons other than the increase of the HNS for explaining all of these, it would be safe to conclude that the HNS contributed to the increase of the number of local workers per U.S. military personnel.

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$$HNS = Labor \times Salary + Facility$$

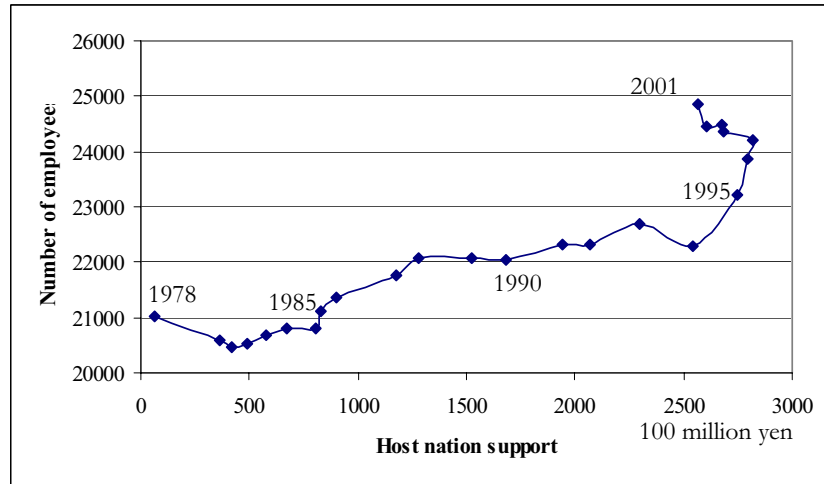
$$dHNS = dLabor \times Salary + Labor \times dSalary + dFacility$$

By dividing both sides of the equation above by dHNS, I get the following:

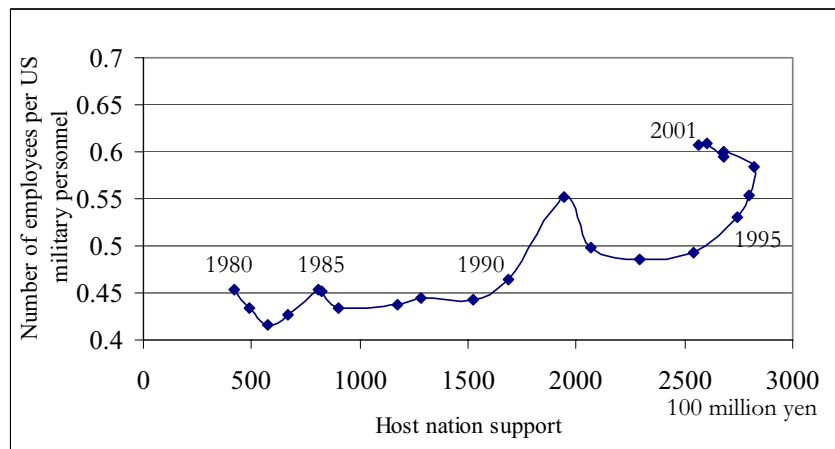
$$1 = \frac{dLabor}{dHNS} \times Salary + Labor \times \frac{dSalary}{dHNS} + \frac{dFacility}{dHNS}$$

$$\frac{dLabor}{dHNS} = \frac{1}{Salary} - \frac{Labor}{Salary} \frac{dSalary}{dHNS} - \frac{1}{Salary} \frac{dFacility}{dHNS}$$

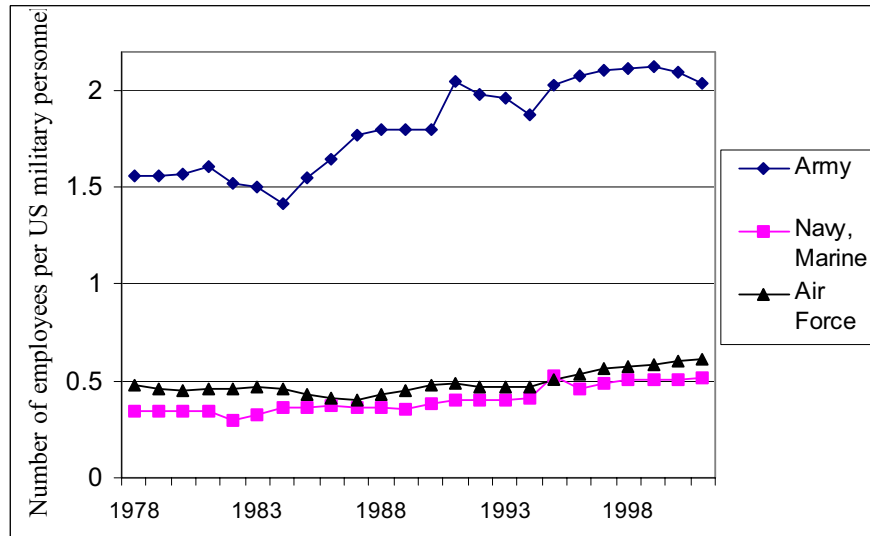
So the increase of labor before/after a unit increase of the HNS is simply a reciprocal of salary subtracted by the change in salary level (its effect on the current labor force) and the share of facility cost in the HNS at the margin.



Note: Data is from Asagumo Shimbun, *Defense Handbook 2002*.  
 Figure 8.9 – HNS and the number of Japanese employees at U.S. bases in Japan (1978-2001)

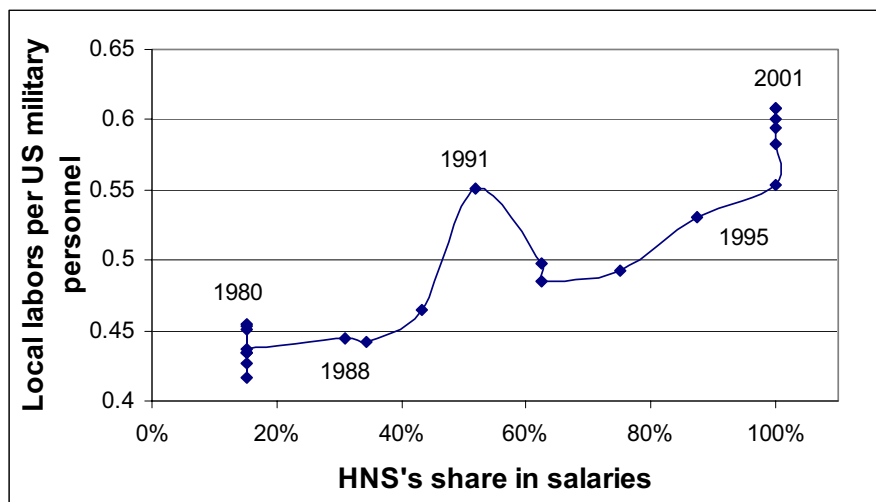


Note: Data is from DOD, *Active Duty Military Personnel Strengths by Regional Area and by Country* (various years, September 30 of each year), and Asagumo, *Defense Handbook 2002*.  
 Figure 8.10 – Host Nation Support and the number of Japanese employees at U.S. bases in Japan per U.S. military personnel in Japan (1980-2001)



Note: Same as Figure 8.10

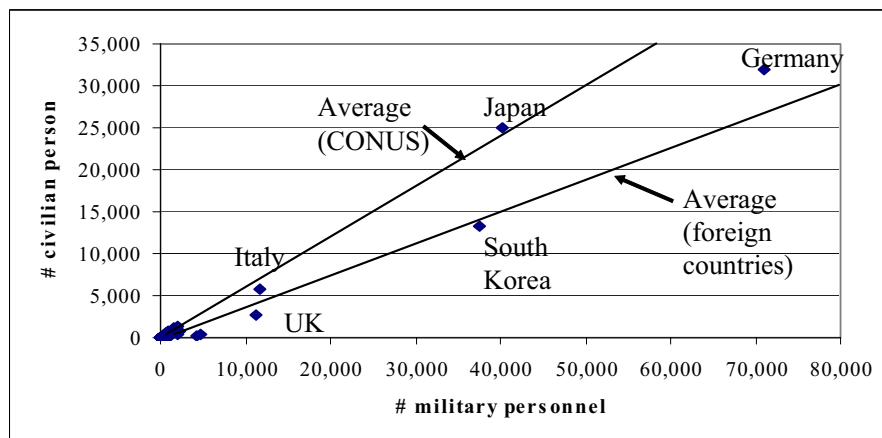
Figure 8.11 – The number of Japanese employees at U.S. bases in Japan per U.S. military personnel in Japan in each military service (1978-2001)



Note: Data is from Diet minutes in various years on HNS's share in salaries, DOD, *Active Duty Military Personnel Strengths by Regional Area and by Country* (various years, September 30 of each year), and Asagumo, *Defense Handbook 2002*.

Figure 8.12 – Host Nation Support's share in salaries and local workers per U.S. military personnel (1978-2001)





Note: Data is from DOD, *Active Duty Military Personnel Strengths by Regional Area and by Country*, September 2001. CONUS: Continental U.S.

Figure 8.13 – The number of U.S. military and civilian personnel overseas in 2001

Of course, whether the increase is welcome or not from the standpoint of Japan is an issue that needs political judgment of the Japanese government and people. The increase may simply be the result that the level in Japan is approaching to the level in the Continental U.S. (Figure 8.13). Since the purpose of the HNS is to make the stationing of the USFJ more comfortable, it is a problem of judgment based on a sense of value to decide what kind of spending is a waste or not.

The same as the hiring of Japanese workers at the U.S. bases in Japan may be true of the use of electricity by the U.S. servicemen in Japan. Energy consumption in the U.S. is 101 million Btu per household on average (Northeast 120.6 Btu, Midwest 134.0 Btu, South 83.9 Btu, West 74.9 Btu).<sup>42</sup> On the other hand, energy consumption in Japan on average is 44.5 million Btu per household.<sup>43</sup> Since average floor space is different between households in the U.S. and Japan, energy consumption per household in Japan assuming the U.S. floor space is 75.7 million Btu.<sup>44</sup> This is about the same as the average in the West in the U.S. but much lower than the U.S. average. Even if the level of electricity use is high from the standpoint of the Japanese, the level of the U.S. servicemen in Japan

<sup>42</sup> 101 million site Btu (British Thermal Units) per household is total site energy consumption, U.S. housing unit, 1997 (including site electricity, natural gas, fuel oil, Kerosene, and LPG). Energy Information Administration, *A Look at Residential Consumption in 1997*, November 1999, p.8, p.112, p.121.

<sup>43</sup> Total fuel consumption for household (city gas, electric light, Kerosene, Liquefied petroleum gas) = 2,198PJ from “Table 10-10: Fuel Consumption for Household Use,” Statistics Bureau, Management and Coordination Agency, *Japan Statistical Yearbook 2004*. Number of household, 46,782 (thousands), is from “Table 2-16: Households and Household Members by Type of Household and Number of Household Members.” Since 1Btu = 1.055 x 10<sup>3</sup> J, 1PJ = 10<sup>12</sup> J, energy use per household is:

$2,198 \times 10^{12} \text{ J} / 1.055 \times 10^3 \text{ J} / 46,782 \text{ (thousands) household} = 44.5 \text{ million Btu per household.}$

<sup>44</sup> Average floor space for housing in the U.S. is 151.9 m<sup>2</sup> (total), 159.0 m<sup>2</sup> (owner), and 115.7 m<sup>2</sup> (renter). Average floor space for housing in Japan is 89.3 m<sup>2</sup> (total), 116.8 m<sup>2</sup> (owner), and 44.3 m<sup>2</sup> (renter) in Yoshitsugu Kanemoto, “The housing question in Japan,” *Regional Science and Urban Economics*, Volume 27, Issue 6, November 1997, Pages 613-641. Table 3. Floor space per person and per house.

$44.5 \text{ Btu} \times 151.9 \text{ m}^2 / 89.3 \text{ m}^2 = 75.7 \text{ Btu}$

may simply be approaching to the average level for American household, which makes the stationing of forces in Japan more comfortable.

b-2) Effect of the HNS on the size of the U.S. forces in Japan

There is also an argument critical on the HNS that the HNS makes the U.S.'s cost for stationing forces in Japan much cheaper relative to other places, thereby draws more U.S. forces to Japan, or lengthens the stationing of the forces which become unnecessary to the defense of Japan (for example, Maeda (2000) as was explained in p.250 and 252).<sup>45</sup>

The following figures are for examining whether this claim is legitimate. The U.S. forces in the Pacific in the figures include the forces in Hawaii and Guam. Data source is *Active Duty Military Personnel Strengths by Regional Area and by Country* (published in September of each year) by the U.S. Department of Defense. Figure 6.4-6.11 (p.118-122) show the size of each service of the U.S. forces stationing in countries in the Pacific region. Figure 8.14 shows the share of the USFJ in the total size of U.S. forces in the Pacific. Figure 8.15 shows its relationship with the size of the HNS. The following are observations of the figures:

i) Ground force's size and share is consistently low. Navy's share in Japan increased because of the reduction of the forces in Hawaii and Guam and the closure of the Subic Bay Naval Station in

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<sup>45</sup> The functional relation is as follows:

$$HNS = \frac{Labor}{Military} \times Military \times Salary + Facility$$

Taking the derivative of both sides of the equation,

$$dHNS = d\left(\frac{Labor}{Military}\right) \times Military \times Salary + \frac{Labor}{Military} \times dMilitary \times Salary + \frac{Labor}{Military} \times Military \times dSalary + dFacility$$

Dividing both sides by  $\{(Labor \times Salary) \times dHNS\}/Military$  and arranging, the following is derived:

$$\frac{dMilitary}{dHNS} = \frac{Military}{Labor \times Salary} - \frac{Military^2}{Labor} \frac{d\left(\frac{Labor}{Military}\right)}{dHNS} - \frac{Military}{Salary} \frac{dSalary}{dHNS} - \frac{Military}{Labor \times Salary} \frac{dFacility}{dHNS}$$

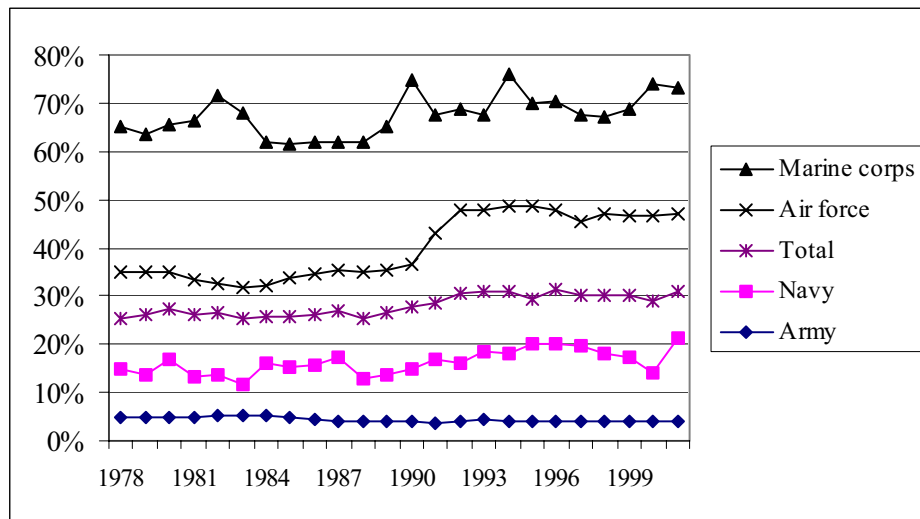
The meaning of this relationship is that the increase of military forces before/after one unit of HNS increase is  $1/(\text{labor per military} \times \text{salary}) = 1/(\text{labor cost per military})$  (how many military personnel will increase when labor cost increases by one unit with the same labor/military ratio?), subtracted by changes caused by 1) the change in labor-military ratio (labor/military), 2) the change in salary for a labor, and 3) the change in the share of facility cost in HNS at the margin. So, what this relation basically says is that if the labor/military ratio is held constant, you can invite more forces to Japan as a result of the increase of the HNS. Because this seems the reverse of the cause (increase of the military personnel) and effect (increase of the labors), the increase of the HNS will usually result in the change in labor/military ratio.

the Philippines. Marine Corps's share increased because of the reduction of the forces in Hawaii. Air Force's share increased because of the closure of the Clark Air Base in the Philippines.

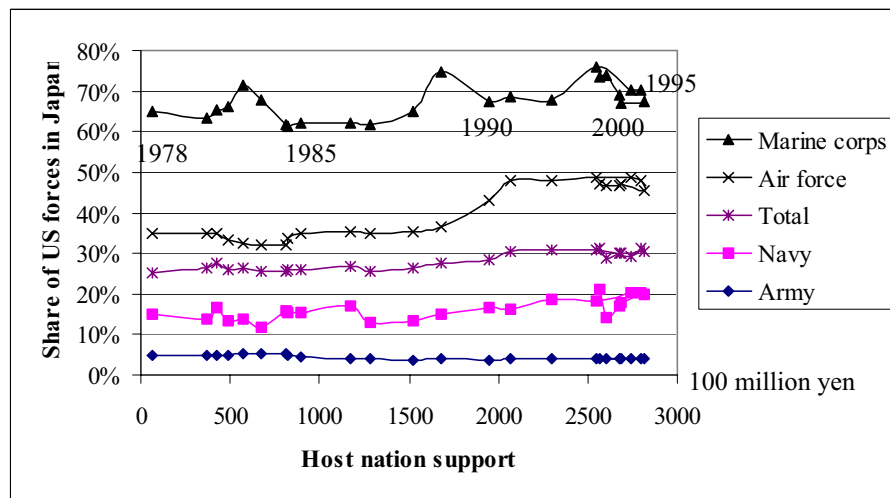
ii) There is a *positive* correlation between those changes in the share and the size of the HNS except for the Army. Pearson's correlation index are -0.76 (Army), 0.70 (Navy), 0.58 (Marine Corps), 0.92 (Air Force), and 0.89 (total). All are statistically significant at 1 percent level.

It would be true to say that Japan is a favorable place for U.S. bases because of its political stability, general support for their activity and the generous Host Nation Support. Correlation is different from causation. The positive correlation between the size of the HNS and the share of the U.S. forces in the Pacific may reflect the growing importance of the alliance both for the U.S. and Japan, which worked to increase both the size of the HNS and the share of the USFJ in the Pacific region at the same time. It is difficult to estimate the degree or existence of causation between the HNS and the share of the USFJ controlling for other relevant factors by using only the available data. The available data does not deny nor support the causation.

But again, even if it is true that the share of the U.S. stationing forces in Japan in the Pacific increased as a result of the increase of the HNS, it may be just a desirable effect of the Host Nation Support, since the purpose of the HNS is to make the stationing of the U.S. forces easier, more comfortable and more smooth, thus making the alliance relationship more effective and more reliable, and making Japan more secure.



Note: Total includes Hawaii and Guam. The shares are calculated by using the data from *Active Duty Military Personnel Strengths by Regional Area and by Country* (various years, September 30 of each year)  
Figure 8.14 –Share of the U.S. Forces in Japan to the U.S. forces in the Pacific area (1978-2001)



Note: Same as Figure 8.14.

Figure 8.15 –The relationship between the Host Nation Support and the share of the U.S. Forces in Japan to the U.S. forces in the Pacific area (1978-2001)

### 8-3. U.S. negotiation policy on the HNS

In this section, what the U.S. negotiation policy on the SMA should be is examined, taking into account the discussions in section 1 and 2. First, U.S. past policies and evaluations on the HNS are looked at, and then the negotiation stance for the 2006 SMA is considered.

#### 1) U.S. past policy on HNS

The U.S. government evaluates HNS very positively. The Department of Defense publishes yearly the document on the allies' contribution on defense and reports it to the Congress. The following is the excerpt from the 2003 version of the document.<sup>46</sup> It evaluates the contribution as "Japan's most significant responsibility sharing," and the level of the HNS as "most generous of any U.S. ally."

Cost sharing in support of U.S. forces stationed on its territory remains Japan's most significant responsibility sharing contribution. Indeed, its Host Nation Support is the most generous of any U.S. ally, and consists of funding covered under both the Special Measures Agreement (SMA) and the Facilities Improvement Program (FIP). Japan's cost sharing support for U.S. forces in 2001 was \$4.6 billion, covering 75 percent of U.S. basing costs.

The most recently published report on the U.S.'s security strategy in East Asia (1998) of the Department of Defense<sup>47</sup> evaluates the HNS in Japan in the same positive line, describing it as "the

<sup>46</sup> The Department of Defense, *Report on Allied Contributions to the Common Defense 2003*, June 2003 (p.II-20 and II-21). DOD has not published the 2004 version as of today, 2/14/2005.

<sup>47</sup> Department of Defense, *The United States Security Strategy for the East Asia-Pacific Region*, November, 1998.

most generous of any of America's allies around the world" and "central factors" for a continued U.S. overseas presence in Japan.<sup>48</sup>

"U.S. bases in Japan and Korea remain the critical component of U.S. deterrent and rapid response strategy in Asia. U.S. military presence in the region also enables the United States to respond more rapidly and flexibly in other areas." (p.11)

"The basic outlines of U.S. force presence in Japan and Korea will remain constant. Japanese peacetime Host Nation Support (HNS) remains the most generous of any of America's allies around the world, averaging about \$5 billion each year." (p.11)

"The United States further envisions a continued U.S. overseas presence in Japan that secures peace and whose troops continue to be supported by the central government, and welcomed as partners and good neighbors by the local communities with whom they interact. Maintaining Host Nation Support levels, and continued joint commitment to implementing the SACO Final Report will be central factors in this regard." (p.62)

The HNS is Japan's significant contribution to make the operation of the U.S. stationing forces in Japan possible. Although the HNS's size is small compared to the U.S. defense budget, about 1 percent (2-3 billion/387 billion in 2004), HNS has become a key factor for planning the operation of the USFJ. The USFJ has not been operating without the HNS with the level of exchange rate about at the current level (100-140 yen/dollar) since the late 1980s (see Figure 4.4, p.55). To the USFJ, the HNS has a real value for continuing their operations, not just a "symbolic value" to show Japan's contributions, as Lieutenant General Waskow, Commander of the U.S. Forces, Japan explained in his speech to journalists in Japan on the importance of Japan's financial contribution for the operation of the USFJ as follows:<sup>49</sup>

Now let me talk about us – the men and women of the US Forces, Japan. In support of our security relationship, the US has more than 58,000 military personnel assigned to Japan. These military members are supported by approximately 5,500 DoD civilian employees and more than 25,000 Japanese workers. When you add in another 52,000 family members to our overall population, you can see that we have nearly 140,000 people devoted to the Japan - US security alliance.

US forces are dispersed among 88 facilities on Honshu, Kyushu and Okinawa. The cost of stationing US forces in Japan is well in excess of \$8 billion a year. Of this amount, the government of Japan generously pays approximately half of the cost – in excess of \$4 billion a year.

## 2) U.S. negotiation policy for the SMA(FY2006-2010)

### a) Increase of the size of the HNS

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<sup>48</sup> The DoD's report on Asian security strategy in 1995 has the same kind of evaluation as the 1998 report, describing Japan's contribution as "the most generous host nation support of any of our allies." (The Department of Defense, *United States Security Strategy for the East Asia-Pacific Region*, 1995, P.25)

The literature that specifically analyzes HNS is few. U.S. government agencies, including the U.S. Department of Defense and the U.S. General Accounting Office, published most of them. They published most of them prior to 1990, when burden-sharing was a contentious issue between the U.S and Japan. See Chapter 5 on those documents.

<sup>49</sup> Lieutenant General Thomas C. Waskow, Commander U.S. Forces, Japan, Speech at the Japan National Press Club, Japan, August 26, 2004. [usfj.mil/newsreleases/transcripts\\_04.html](http://usfj.mil/newsreleases/transcripts_04.html).

The report by the U.S. General Accounting Office in 1989 on Japan's defense burden-sharing recommended the U.S. government to ask the Japanese government to take the burden on routine maintenance cost and contracted ship repair cost for reducing yen-based stationing costs (p.33). It also recommended "pay for tolls, road taxes, and inspection fees on vehicles of service members stationed in Japan" as quality-of-life initiatives for U.S. service members, and "discount prices for Japan's rail system and domestic flights and pay move-in costs (such as security and utility deposits) for service members who must live off base." (p.35)<sup>50</sup> The Japanese government has not implemented any of those recommendations and the current SMA does not list those items.

Should the U.S. demand Japan to include those yen-based costs or various quality of life initiatives in the next SMA? There are several reasons why it would be better for the U.S. to avoid this.

First, the mid to long term trend of Japan's alliance contributions is that the Japanese government will strengthen the alliance relationship and increase alliance contributions, as was explained in Chapter 6. But in so doing, it will try to contain the financial contributions and to increase other contributions such as participation in peace and safety of the world. So, even if the Japanese government decreases the contribution in the HNS, it does not mean that the size of contributions will decline. It may be better to avoid pursuing a short-term gain in the HNS negotiation from the standpoint of the USFJ and to pursue a long-term gain for the U.S. from the U.S.-Japan relationship.

Second, the importance of "triggering events" for the discontinuous increase of the HNS in the past was explained in Chapter 5. When the HNS started in 1978, there was yen's rapid appreciation to dollar, when the U.S. tried to save costs of stationing forces abroad after the Vietnam war (see p.98). In the SMA in 1987 and 1988, there were again yen's rapid appreciation to dollar after the Plaza Accord in 1985, and the necessity to contribute to the safety of the Persian Gulf during the Iran-Iraq war with non-military means, plus increasing criticism after the Toshiba COCOM incident (see p.163). In the SMA in 1991, there were the invasion of Iraq into Kuwait in 1990 and the Gulf War in 1991, and contrasting economic conditions of Japan and the U.S. There are no events comparable to those "triggering events" which would justify more financial contribution from the Japanese government.

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<sup>50</sup> General Accounting Office, *U.S.-Japan Burden Sharing: Japan Has Increased Its Contributions But Could Do More*, Report to the Chairman, Committee on Armed Services, House of Representatives, August 1989. See p. 81 (Chapter 5).

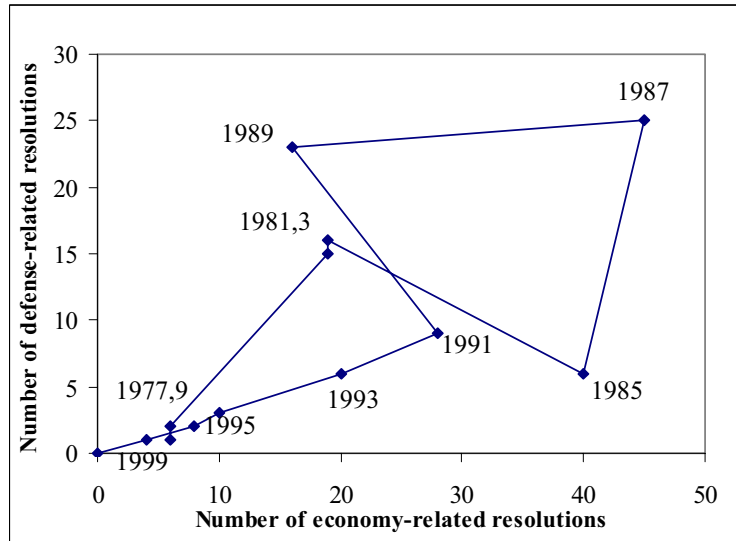
Third, the HNS is only part of the *financial* benefit of stationing forces in Japan. Michael O'Hanlon at the Brookings Institution wrote a report on the U.S. bases in Japan in 2000.<sup>51</sup> He estimated roughly the amount of cost-saving achieved through stationing forces in Japan. He explained that "the U.S., although not saving the full \$6 billion a year that Japan in effect pays to support U.S. forces, is probably getting a value of nearly one-third that amount. It is also probably realizing \$25 billion a year in indirect savings from its bases in Japan, given the efficiencies of maintaining an East Asia-Pacific presence from nearby rather than from the continental United States." He concluded that the size of the HNS is small compared to the size of the cost-saving, since most of the cost-saving comes from the location advantage of Japan for U.S. forces' operations compared to alternative places for bases such as U.S. West Coast, Guam, and Hawaii. In other words, using the six types of alliance contributions (see Appendix 2, p.292), the financial value of "Granting the right to station forces in Japan" is much higher than that of the HNS.

Fourth, the "win-set" for the U.S. negotiator is more favorable than the past, using the Putnam's two level game model on international negotiation. It must be larger than during the late 1970s, 1980s and early 1990s, which makes the bargaining power of the negotiator weaker. Figure 6.26 (p.161) shows the number of the resolutions, bills, and amendments that are related to Japan *proposed* in the U.S. Congress. Although the number includes the proposed measures and the Congress actually adopted very few of them, the figure shows the general trend of the interest and criticism in the U.S. Congress towards Japan, either on Japanese firms' business practices, Japanese economic policy or Japanese defense policy. Compared to the 1980s and early 1990s, the number decreased rapidly in the late 1990s and early 2000s. Figure 8.16 shows how the number of resolutions on economic issue and that on defense issue are correlated. It is difficult to find a scenario where the level of economic frictions or tensions between the U.S. and Japan will return to the 1980s's level. And that also makes it less likely that criticism on defense issues in the Congress would increase rapidly.<sup>52</sup>

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<sup>51</sup> O'Hanlon, Michael, "Restructuring U.S. Forces and Bases in Japan," Chapter Six, in *Towards a True Alliance: Restructuring U.S. - Japan Security Relations*, edited by Mike Mochizuki, Brookings University Press: Washington, D.C., 2000, pp.149-178.

<sup>52</sup> The U.S. trade deficit with Japan is still high but Japan's share has decreased because of the increased U.S. trade deficit with China. According to the foreign trade statistics of the U.S. Census Bureau, the trade deficit with China has been highest among countries since the year 2000. The U.S. trade deficit with China in 2003 was about 124 billion dollars, while the trade deficit with Japan, which was the second highest, was 66 billion dollars.



Note: Data is from Thomas legislation database of the Library of Congress, Bill Summary and Status.

Figure 8.16 – Relationship between economy-related and defense-related resolutions, bills, and amendments proposed in the U.S. Senate and House (1977-2002)

Fifth, there is less motivation in the Japanese government to contribute to the alliance through the HNS, since the Japanese government contributed to the alliance by other means during the past five years. The support for the U.S. war on terrorism was in diplomatic, military, force protection/intelligence-sharing, financial, and humanitarian areas. The Japanese Self Defense Forces were deployed overseas for the first time in history to support ongoing combat operations during the Operation Enduring Freedom in Afghanistan. The Japanese government sent ground troops in Iraq.<sup>53</sup> So, it would be difficult to argue for the increase of the HNS based on the argument 1) a) of Section 1 (“Japan has to make a large financial contribution.”).

<sup>53</sup> Department of Defense, *Allied Contribution on the Common Defense*, June 2002. The U.S. Department of Defense listed up Japan’s support on the war on terrorism as follows:

- On October 29, 2001, the Diet passed legislation authorizing the military to provide logistical support to the Operation Enduring Freedom.
- Japan's Maritime Self Defense Force used three destroyers and two supply ships to support at-sea replenishment needs.
- The Japanese Air Self Defense Force is providing airlift support to U.S. forces
- The Ground Self Defense Forces exercised with U.S. Forces in Japan to enhance security at U.S. military bases in Japan.
- Japan provided significant emergency financial assistance, including to U.S. victims of the terrorist attacks, Pakistan, and other countries neighboring Afghanistan.
- Japan provided significant humanitarian relief assistance through relief agencies working in Afghanistan and in surrounding countries
- Japan co-hosted international meetings on the reconstruction of Afghanistan, notably the January 21-22, 2002 ministerial conference in Tokyo.



b) Maintaining the current size of HNS

Then, does it contribute to the long-term interest of the U.S. if the Japanese government decreases the size of the HNS, that is, cost-sharing on labor, utility, and transfer of training activities, in the next SMA? What should be the U.S. negotiation stance? The decrease will not certainly be the interest of the USFJ, since it has to find another funding source from the DOD without the HNS. The decrease will not be the interest of the DOD, since it has to cut the other cost for making up for the decreased amount of the HNS. The realistic goal would be to maintain roughly the size of current HNS, without politicizing the issue in Japan to a degree that may affect negatively Japan's overall alliance contributions in the future.

b-1) First stance

The initial negotiation stance would be to negotiate the maintenance of the current size and contents of the HNS without any symbolic decrease. The U.S. side can argue that the HNS is the significant and core contributions for the effective alliance relationship so the maintenance of the current level of financial support for the stationing forces would be necessary.

The U.S.'s budget deficit is larger than in 2000 (see Figure 8.7 (p.259)). The U.S. has huge fiscal deficit and spends a large amount of budget for defense and military operations in Iraq and Afghanistan. The U.S. is able to use these as a card in the negotiation. That is, the U.S. "win-set" is smaller than in 2000, although it is larger than in the 1980s and early 1990s, which can put the U.S. negotiator in a better position. As was explained above, the size of the "win-set" for Japan is smaller than in 2000. So this situation may be worse than the negotiation in 2000, which tends to prolong the negotiation.

It would be necessary for the U.S. to encourage the Japanese government to set a priority at upper level of the Japanese government with respect to the SMA at an early stage of the negotiation before the issue becomes contentious and draws media attention ("politicization"). By doing this, it becomes possible to avoid the situation where the media, public and the government to treat the HNS budget as one of the budget category in a tight budgetary process in a way that damages the U.S.-Japan security relationship in the long run.

b-2) Second stance

If the initial stance does not result in an agreement with the Japanese government, the next stance which U.S. negotiators should take would be to compromise at a certain point with a strong expectation for the increase of other types of contributions now and in the future. That is, the U.S. stance is to compromise on a symbolic reduction to expedite the negotiation. But the U.S. would need 1) a statement from Japan that the negotiation this time will not lead to a declining trend, and 2) a statement from the U.S. on the expectation of the increase of other kinds of alliance contributions. In a sense, this negotiation on the HNS is a good chance to the U.S. (and Japan) to make clear the

shift of the composition of Japan's alliance contributions. There are two reasons. First, the "win-set" to the U.S. is larger than in the past and the U.S. can be more flexible in the outcome of the negotiation. Second, Japan's alliance contributions will proceed in that direction from a mid to long term perspective.

In either first or second stance, what is important to the U.S. negotiator is, first, the U.S. should be clear about what it wants as the outcome of the negotiation. In an iterated multiple-shot Prisoner's Dilemma game (see p.21), Tit For Tat (TFT) strategy is the most successful in an iterated PD game. That is the strategy to just to imitate the other's prior move. If you are cheated, you cheat. If you are cooperated, you cooperate. Robert Axelrod characterized the TFT using English word as being nice, provocative, forgiving, and clear.<sup>54</sup> In the context of the HNS negotiation, the U.S. should be "clear" on the strategy, or needs "clarity of behavior so that the other player can adapt to your portion of action." That is, the U.S. should make clear that the HNS is a significant part of Japan's contributions and its maintenance is necessary for the operation of the USFJ even if Japan's alliance contributions increases in other areas.

In addition, more accountability is necessary on the use of the HNS budget to respond to the part of the Japanese public's unpleasant feeling about it. There is no data easily available to the public on the use of the budget. There is no data uploaded on the web site of the USFJ. Although the Japanese government primarily should be accountable to her public on the use of its budget (with the help of the U.S. government), one way to achieve that is to publish a periodic report prepared and studied jointly by the U.S. and Japanese governments on the use of the HNS and on how it enhances the effectiveness of the alliance.

Finally, although it would not be on the agenda of the negotiation of the next SMA, one way to avoid the negotiation on the *Special Measures Agreement* is to revise Article XXIV of the Status of Forces Agreement (SOFA) and make it possible for the Japanese government to spend the HNS without concluding a SMA every five years. Although the Diet has to approve the budget for the HNS every year as before, it would become easier politically to get an approval as a whole package of the government budget. The revision of the SOFA is currently not on the political agenda for the U.S. and Japan.<sup>55</sup> Because the revision of the SOFA may necessitate the discussion on more fundamental issues on the alliance including base issues and burden-sharing and may involve other issues that might be more politically difficult to reach an agreement, it needs to consider whether the

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<sup>54</sup> Axelrod, Robert, *The Evolution of Cooperation*, Basic Books, 1984, p.20.

<sup>55</sup> U.S. Secretary of State Colin Powell said in July 2001 that he saw no need for the U.S. and Japan to renegotiate the SOFA. He said that "I appreciate the hospitality and the host-nation support that they have given to our forces for many years. From time to time, incidents will arise," and cited the surrender of U.S. Staff Sergeant Timothy Woodland by U.S. military authorities to the Japanese authority as a proof that the SOFA is working. (USA Today, Barbara Slavin, "Meeting addresses troops in Japan", July 24, 2001) (*NAPSNET Daily Report* by the Nautilus Institute for Security and Sustainable Development, July 24, 2001).

sum of (time-discounted) political costs related to SMA's negotiation every five years in the future is large enough to justify to pay one possible big political cost necessary for revising the SOFA.

## *Chapter 9*

### *Conclusion*

A recently published report on the Atlantic security cooperation, *Renewing the Atlantic Partnership: Report of an Independent Task Force Sponsored by the Council on Foreign Relations*<sup>1</sup> pointed out differences over styles of leadership, difference over domestic politics, differences in international issues, etc. between the U.S. and non-U.S. NATO members as “points of divergence,” and an lesson to be learned from the recent Atlantic security cooperation is the importance of finding common interests, and having a common strategy and common understanding. In other words, the report perceived the various kinds of divergences as the current problem of the NATO and proposed having various kinds of commonalities, as the solution. However, having common goals and a common strategy alone does not guarantee the provision of alliance contributions from the allies that are desirable to each other. And also not only the divergences in objectives, leadership styles or perceptions on international issues, but also changes in many other aspects, as I discussed in this study, such as the change in the resources influenced by economic or diplomatic conditions, the change of alternatives provided by a policy community, the change in the agenda setting process influenced by a domestic political condition, or change in alliance productivity influenced by the change in international situation, could cause strains in an alliance relationship as well. What I propose in this study is that it is possible to analyze those changes and an alliance relationship systematically by drawing on the conceptual models on alliance contributions. In this concluding chapter, what I did and what I found out in this study are restated, and limitations of the study are explained.

#### 9-1. Summary and findings

The research questions of this study are: “how should and do allies decide types and magnitudes of alliance contributions? And how should be and is the decision related to environment?” To explore the questions, first, two conceptual models on alliance contributions were constructed to analyze the conditions for bringing about changes in alliance contributions, or burden-shifting. The first one, the economic model on alliance contributions, is based on previous theories in public economics and international relations. The characteristics of the model are: 1) an alliance produces a public good (deterrence), 2) an alliance increases security, and utility as a result, and 3) maintaining an alliance decreases autonomy. The second and complementary one, the policy

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<sup>1</sup> Kissinger, Henry A. and Lawrence H. Summers, Co-Chairs; Charles A. Kupchan, Project Director, *Renewing the Atlantic Partnership: Report of an Independent Task Force Sponsored by the Council on Foreign Relations*, 2004.

process model on alliance contributions, is based on the agenda-setting theory in public policy studies.

Second, an analytic framework based on the conceptual models above was applied to Japan's contributions to the U.S.-Japan alliance, for examining the validity of the models and showing their practical utility for analysis. First, using the analytic framework, Japan's Host Nation Support program (HNS) for the U.S. Forces in Japan and the discussion on the Special Measures Agreements related to the HNS (1978, 1979, 1987, 1988, 1990, 1995, and 2000) were examined to find the causes to bring about the change of Japan's alliance contributions and to compare the causes with the models' logic. Second, using the analytic framework, the relationship between Japan's alliance contributions including the HNS and the background environment of the U.S.-Japan alliance during the 1970s, 1980s and 1990s was examined. Consistency between the model and the reality, and practical utility of the models were discussed.

Third, the future of the U.S.-Japan alliance was explored using the analytic framework above. First, the mid to long term case (10-20 years) was analyzed, focusing on the change of environment relevant in the analytic framework in 10-20 years, using currently available data. A plausible direction of the change in Japan's alliance contributions, possible fault lines in the base case scenario, and how the U.S. can influence the direction, were explained. Second, the short term case (within a year) was analyzed, focusing on the next Special Measures Agreement on the HNS from April 2006. Recent arguments in Japan on the HNS were reviewed, a plausible Japan's stance towards the next HNS was explained, and the U.S. negotiation tactics were discussed.

In the part on the theory and the models, I found out that how the burden is shared among alliance members should depend on the external environment in which the public good is produced, the internal environment where the decision on contributions are made, and the comparative advantages of the members in contributing different components to the alliance's production function for the public good. Specifically, the conditions for the increase of armament-type contributions include: increase of marginal utility of security, increase of marginal productivity of armament in security, increase of marginal productivity of alliance in security, increase of marginal productivity of armament in alliance, decrease of armaments provided by other allies, decrease of marginal utility of non-armament goods, decrease of cost of armament, or increase of initial endowment of wealth. The conditions for the increase of autonomy-type contributions include: increase of marginal utility of security, increase of marginal productivity of alliance in security, increase of marginal productivity of alliance autonomy in alliance, decrease of alliance autonomy provided by other allies, decrease of marginal utility of domestic autonomy, decrease of cost of autonomy, or increase of initial endowment of autonomy. Changes in those various aspects of policy environment of alliances are relevant factors to the research questions ("how should decide" and

“how should be related”). The conditions pointed out in this part show conceptually that various factors are relevant on the provision of alliance contributions, and their combinations decide the direction of change in alliance contributions and its composition. The external and internal factors and the comparative advantages of allies are related to the conditions in a complex manner in a real setting of military alliances. I found out that it would be necessary to affect those conditions to influence alliance contributions from other alliance members.

In this part on the theory and the models, I also found out that alliance contributions should change as a result of the political process that a decision maker of an alliance member has to go through, and John Kingdon’s model on the agenda setting in a public policy making process based on the concepts, “agenda” and “problems, policy, and politics,” is helpful, in order to explain this aspect. The agenda is “the list of subjects or problems to which government officials are paying some serious attention at any given time” (Kingdon, p.3), and his model is that a setting of the “agenda” needs a “coupling” of three streams: problem, policies, and politics. Kingdon argues that “issues rise on the agenda when three streams are jointed together at critical moments in time,” labeling these moments “policy windows,” which are opened “by compelling problems or by events in the political stream” and seized upon by “policy entrepreneurs,” who is willing to invest their “time, energy, reputation, money” to initiate an action. This policy process model on alliance contributions clarifies how a large and discontinuous shift, different from an incremental change, in contributions takes place. The condition for a large and sudden shift in contributions to take place is the coupling of the three streams (problem, politics, and policy). I found out that it would be necessary to affect each of the streams and seize a policy window to influence alliance contributions.

In the part on a case study, as to Japan’s HNS, I found out that the relationship between the change of the size of the HNS, and Japan’s external and internal conditions in the 1970s, 1980s, and 1990s supports the conceptual models. In the late 1970s, late 1980s, and early 1990s, the size of the HNS increased, while its size was maintained or decreased in the mid to late 1990s. In the economic model, it is assumed that a policy maker has the perfect information on the environment variables, and, if the environment changes, judges whether to increase or decrease alliance contributions or how to change the composition for increasing the utility in the most efficient way. The difference in those periods was related to Japan’s fiscal condition (better in the 1970s and 1980s), yen’s appreciation (rapidly increasing in the 1970 and 1980s), international situation (the Cold War in the 1970s and 1980s), the cost for the U.S. Forces in Japan (USFJ) (growing in the 1970s and 1980s), and criticisms from the U.S. on Japan’s burden sharing (more in the 1970s and 1980s). In addition, the use of military forces was restricted by the Constitution in all periods. In this environment, Japan needed to keep the alliance relationship reliable in the 1970s and 1980s. I explained, by relating those factors to the model variables and their relations to the output, that a policy maker found that the

HNS is the most efficient means to increase the utility compared to other means and other types of alliance contributions. Another part of the story is that policy makers in each period were facing with urgent problems to solve and to pay attention to, such as problems on employment of base workers and improvement of facilities when yen had appreciated rapidly against dollar, growing criticisms in the Congress during international crises, or worsening Japan's fiscal condition. In every period when major policy changes were made (the start of the HNS in the late 1970s, the expansion during the 1980s, and the decrease during the 1990s), "triggering events" had effects on the agenda setting in the policy process. A conspicuous problem, which makes critical mass of people to think it necessary to take an urgent measure, increases the priority of a policy for the problem in a policy making process, or a problem stream is generated, and is coupled to a policy stream when available.

As to Japan's alliance contributions in the 1970s, 1980s, and 1990s, I found out that the relationship between their changes, and Japan's external and internal conditions in the 1970s, 1980s, and 1990s supports the conceptual models as well as the relationship above. I found out that the HNS and defense spending, which were the driving forces to increase Japan's alliance contributions during the 1970s and 1980s, stopped growing in the 1990s, and the elements of alliance contributions other than HNS and defense spending, which did not show any changes, started to change during the 1990s. The elements of alliance contributions that started to change in the 1990s included the scope of Japan's role in the emergency outside the scope of the Japan-U.S. security treaty (increase), the scope of Japan's role in the Article VI emergency (increase), granting the right to station forces in Japan (decrease), and the scope of Japan's role in the Article V emergency (increase). Changes in all of those elements took place for the first time during the 1990s, except for the change in the size of the granted right to station forces in Japan with the return of Okinawa in the early 1970s. The external and internal environment of those changes was that Japan's economy continued to grow in the 1970s and 1980s, threats from the Soviet Union increased after the détente in the 1970s and 1980s, the U.S. pressure to Japan to increase contributions to the alliance continued to grow in the 1970s and 1980s, the stability of the control of the government by the LDP and favorable political atmosphere made it relatively easy for the government to increase the contribution to the alliance during the 1970s and 1980s. On the other hand, Japan's economy stopped the steady growth and stagnated during the 1990s. The unstable and uncertain security condition in East Asia after the end of the Cold War made it necessary for Japan to strengthen the alliance with the U.S., especially by taking measures to make the alliance more operational in the 1990s. Domestic politics and national mood made it easier to increase Japan's contribution to the alliance in the 1990s. Those changes should lead to the shift of the composition of alliance contributions from the financial-type to the non-financial type contributions, with no decrease in the size as evaluated as a whole package. The shift was observed actually in the 1990s as stated above. Related to the policy process model on

alliance contributions, I found out that there is a correspondence in terms of the timing of change between the pattern of changes in alliance contributions and the pattern of changes in environment variables. The change in alliance contributions during the 1990s was discontinuous as opposed to being incremental as is typical of Japan's defense policy. The change in environment variables during the 1990s is discontinuous as well and that brought about the discontinuous change in alliance contributions. The change of alliance contributions in the 1990s was wider than the decisions on the HNS in terms of the number of changes and a discontinuity from the past. The coupling of the streams on a wider scale in a sense that it affected the wider areas in Japan's defense policy realized the change during the 1990s.

In the part on the application of the models to policy analysis, I found out that there will be the following changes in Japan's alliance contributions in 10-20 years: 1) increase of alliance contributions, 2) decrease or no change of financial contributions, 3) decrease or no change in investment to the military forces, and 4) increase of Japan's participation in international peace activities. Especially if the government reduces constraints on military activities, and if the government allows the right of collective defense, there would be the following discontinuous changes: 1) more active participation of Japan's military forces in international peace activities, and 2) more contributions to international peace and stability in general. At the same time, I found out that there are potential fault-lines in this base case scenario, or the scenarios that can have negative effects on the direction to strengthen the alliance relationship. The fault-lines include the following: increase of local oppositions in Japan to U.S. bases (Okinawa-related), an alliance failure to stop an attack to Japan (Korea-related, China-related, and terrorism), increase of U.S. criticisms towards Japan's low contribution during a conflict, a large scale casualties of Japan's military personnel during a mission abroad, a large change in international situation in East Asia (Korea-related, China-related, or Russia-related), increase of oppositions of neighboring countries to the strengthening of the U.S.-Japan alliances and their repercussions, increase of opposition among the Japanese to U.S. policies (related to the alliance or other areas), and negative effects of problems in other policy areas (economy or foreign policies) on the alliance relationship. Those fault-lines are interdependent and are likely to take place in clusters, intensifying their negative effects to the alliance relationship. I found out that increasing foreign pressures to change other country's policies is only one of the policy options, possibly the one with negative consequences such as increased frictions. The basic principle, from the standpoint of the U.S., is that it is better for the U.S. to try to influence the environment that results in the current and future composition of Japan's alliance contributions more beneficial to the U.S., than trying to change the output directly, assuming that the Japanese government calibrates the alliance contributions as an optimal reaction to its environment or as a consequence of the "coupling" of the streams. I found out that the U.S. policies to influence the Japanese alliance



contributions include: to support the Japanese government's diplomatic effort to become a permanent member of the U.N. Security Council, to encourage Japanese government to allow the use of right of collective defense, to adjust Japan's perception on the U.S. defense commitment, to encourage Japanese government to decrease the priority on domestically developed weapons, to support development in Okinawa, to share perception on regional military situation with Japan, to promote research and technology cooperation, to promote intelligence cooperation, to promote security dialogue, to exchange know-how and share intelligence on counter-terrorism, to influence a problem stream rather than a policy stream, and to support Japan's diplomatic efforts to assuage neighboring countries' concerns on Japan.

As to the short-term policy analysis on the HNS, whether Japan will be better off as a result of the decrease of the HNS, depends on how the Japanese government can use the resources which become available as a result of the decrease of the HNS. The decrease of the HNS can increase the investment on its own defense capability, or decrease government's debt and fiscal deficit. I found out that considering from the alliance contribution model, the Japanese government is likely to proceed towards maintaining or decreasing the financial contribution such as the HNS as stated above, but it would not seek a large reduction of the HNS in the next SMA, since the effect on the increase of security (by increasing own military investment) or the decrease of government deficit would be minimal. I found out that the reduction of the HNS does not improve the military capability of Japan even if all of it is allocated to procurement of military equipment. The reduction of the HNS may reduce the military resources available for the alliance, as a result of the reduction of commitment of the U.S. on the alliance. The reduction of the HNS does not increase the military capital of the U.S. and Japan for the alliance jointly. Also I found out that the HNS contributed to the increase of the number of local workers per U.S. military personnel at the U.S. bases in Japan, but it is not possible to estimate the degree or existence of the causation between the HNS and the size of the USFJ controlling for other relevant factors by using only the available data, since the positive correlation between the size of the HNS and the share of the USFJ to the U.S. forces in the Pacific region may reflect the growing importance of the alliance both for the U.S. and Japan, which worked to increase both the size of the HNS and the share of the USFJ in the Pacific region at the same time. I found out about the U.S. policy that it may be better to avoid pursuing a short-term gain in the next HNS negotiation from the standpoint of the USFJ and to pursue a long-term gain for the U.S. from the U.S.-Japan relationship.

In sum, by doing this study, I found out that the models and the analytic framework are a practical and useful tool to examine various kinds of contributions from allies in terms of types and sizes and to influence the contributions' composition and sizes in a changing domestic, bilateral and international situation, especially when the time requires recalibration and reconfiguration of an

alliance to make it more efficient and effective. I found out that the two parts in a policy-making process, that is, rational judgment and political agenda setting, are important and complementary to understand a government's behavior on policy innovation. On one hand, triggering events, or foreign pressures to choose a certain course of action would not work smoothly unless the choice of a certain course of action satisfies a rational judgment standard or a "utility maximization" standard. On the other hand, a government could not implement a "perfect" policy prescription for a problem based on a utility-maximization criteria unless the problem draws attention of policymakers to an extent that the solution of the problem becomes a government decision agenda. A reactive response to the U.S. pressures to increase financial contributions would not have taken place, if there was no rationality in the increase, taking into account other factors such as importance of the alliance relationship for Japan's security or security's importance for the national well-being.

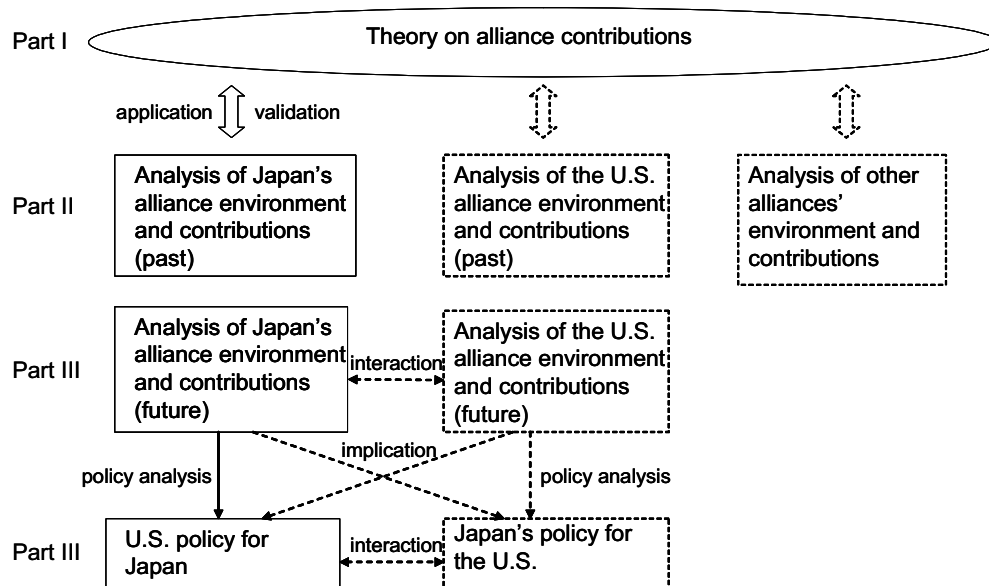
It is useful to have a policy-oriented and systematic methodology to evaluate a new package of alliance contributions or alliance strategy. The results of evaluation of various kinds of packages may lead to a discovery of a package more beneficial to the alliance, or a discovery of a policy to encourage other allies to provide the package more beneficial to the alliance. This process for discovering and evaluating alliance policies to shape other allies' contributions could be promoted by making a computer program to help policy analysts to pay close attention to the variables and streams in the models, their relationship to alliance contributions, and possible hurdles to achieve a desirable set of contributions. Although this is not the kind of the policy problem whose solution is calculated by some analytic method in a definitive manner and is recommended as a policy alternative, the exploration by using a policy-oriented analytical framework appropriate to the problem would still be valuable. This study proposed one such methodology and applied it to Japan's alliance contributions including the HNS.

## 9-2. Limitations and future tasks

This study has limitations. First, the validity of the conceptual models was examined in Part II of this study, but the validity may not have been shown or proved with a degree of confidence used in some academic disciplines or policy research. The case study in this study is a single case design (see p.47 on single case design), and the comparison of data is limited to 5 periods (the late 1970s, late 1980s, and the early, mid and late 1990s). Also, the examination involved judgmental elements, although I tried to make those explicit. We could do two things related to this limitation. First, we can wait for another 20-30 years and compare what happens on Japan's alliance contributions with the plausible direction of their changes explained in this study. Second, we can continue comparing the change in alliance contributions with its environment in the future of the U.S.-Japan alliance and examining whether the result of the comparison is not contradictory to the models.

Second, it may not be possible to claim the models are generalizable to all alliances. The same as was said above also applies here. About this limitation, we could analyze other alliance relationships, in different times and regions, and between countries, using the analytic framework derived from the models. Models are the same, but the analytic framework would be different, in terms of types of contributions, and how to judge the change in internal and external environment.

Third, there are limitations in the models, other than internal validity and external generalizability. The economic model on alliance contributions does not take into much consideration the interaction between and among allies, which was explained in Chapter 3 (p.20) theoretically and in Chapter 9 (p.260) on policy analysis in the short term, although the interaction is partly reflected in the model, since foreign pressures reflect a response to own behavior. In Figure 9.1, the parts written with non-dashed lines were examined, but the parts with dashed lines were not examined. Japan's contributions were examined and the U.S. policy for Japan (left blocks/arrows) was derived, but there should be policy implications for Japan from that analysis. In addition, there should be interactions between the U.S. and Japan's decisions and environment. It was assumed that U.S. defense spending, U.S. commitment to the alliance, stationing of U.S. forces in Japan are policy levers for the U.S. But it would be possible to consider that the U.S. would decide those contributions to the alliance, according to the changes in environment *for the U.S.*, the part of which would not be shared with Japan.



Note: Non-dashed parts: treated in this study, dashed parts: not treated in this study

Figure 9.1 – Relationships among analysis on alliance contributions (a case for the U.S. and Japan, and cases for other alliances)

Fourth, in the policy process model on alliance contributions, a “coupling” of a problem stream, policy stream and politics stream takes place when a “policy window” is open (p.37 in Chapter 3). But it may be tautological to say that a coupling takes place when a “policy window” is open. It may be possible to look at the past and interpret that a policy innovation took place as a result of a coupling. But does that mean it is also possible to have a rough idea on when a coupling takes place in the future? We may need to clarify more when a coupling takes place with what kinds of conditions, or when a “policy window” is open and is closed.

Fifth, there are shortcomings often inherent in a comprehensive analysis like this study. This study attempts to understand the pattern of changes of alliance contributions as a whole, using an all-inclusive analytic framework. However, an attempt to understand the whole tends to leave some aspects not explored enough according to the standard when you use to look only at one aspect in detail. However, the whole picture would be observed better by using an analytic framework suited to examining the whole picture, since the whole is not always equal to the sum of the parts.

And, finally, the relationship between characteristics of the world system, which is beyond a bilateral and multilateral alliance relationship, and alliance contributions, was not analyzed enough (see p.36 on a theoretical treatment). They should influence each other, but there is not enough analysis in this study on the characteristics of the current international system, for example, the unipolarity of the U.S. and international terrorism by non-state actors, and their relations to alliance contributions. Assuming that alliance contributions are decided by the models of this study, how will alliances react when the power of the U.S. to dominate the world increases more? The theoretical explanation in Chapter 3 would give a part of the answers to those questions, but we would need more detailed study.



### *Appendix 1 – Environment variables*

1. Wealth	
Concept	W (initial endowment)
Content	As an initial endowment, how much wealth does a country have for allocating it for either purchasing “armament” or “non-armament goods”?
Criteria for judgment (in case of Japan’s contribution)	What is the economic condition of Japan?
2. Autonomy	
Concept	A (initial endowment)
Content	As an initial endowment, how much autonomy does a country have either for allocating it for strengthening an alliance (alliance autonomy) or keeping it? Alliance autonomy: the size of freedom of action which a government sacrifices to become a party to a security alliance. (see Chapter 3)
Criteria for judgment	Has the size of the resources and the relations with other countries which Japan possesses increased or decreased? 1. Has the land spaces and areas under the jurisdiction of Japan increased or decreased? 2. Has the monetary resource increased or decreased? 3. Has Japan’s maneuverability in foreign relations increased or decreased? Has the number of neighboring countries, or the number of the countries with regard to which Japan can make policy changes in a way that is valuable to its ally (U.S.) increased or decreased?
3. Armament (spillover)	
Concept	$\sum_i R_i$ ( $R_i$ : armament provided by other allies)
Content	What is the sum of the armament provided by allies, which strengthens the alliance relationship?
Criteria for judgment	1. Has the U.S. defense budget increased or decreased? 2. How does the Japanese government perceive the trend of the U.S. defense budget and its military capability?
4. Alliance autonomy (spillover)	
Concept	$\sum_i AA_i$ ( $AA_i$ : alliance autonomy provided by other allies)
Content	What is the sum of the alliance autonomy provided by allies, which strengthens the alliance relationship?
Criteria for judgment	1. Is there any change in the U.S. doctrine? How did the U.S. government explain the doctrine in the annual defense report or reports on defense policy for the Asia Pacific? How did the President or the Secretary of Defense explain in their speech such as the State of Union address? What was discussed on the doctrine in meetings between the U.S. and Japan?

	<p>2. Is there any change in the size of the U.S. stationing forces in Japan and the Pacific?</p> <p>3. How does the Japanese government perceive the U.S. defense policy to Japan and to East Asia, including the U.S. defense commitment and the change in the forward deployment in this area?</p>
5. Cost of armament	
Concept	$p_1$ (cost of armament (R) relative to non-armament goods (NR)) $W = p_1 \times R + NR$
Content	What is the cost of adding a marginal unit of military capability to the military force for a country, relative to purchasing a non-armament good?
Criteria for judgment	<p>1. Is the price level of the weapons that Japan is interested in buying increasing or decreasing? (if data are available.)</p> <p>2. Is there any change in the arms export policy to restrict export of weapons?</p> <p>3. Is there any change in arms procurement policy, which prioritizes procurement from domestic sources rather than foreign sources? Is there any change in the share of domestic share in the size of defense procurement?</p>
6. Cost of alliance autonomy	
Concept	$p_2$ (cost of alliance autonomy (AA) relative to domestic autonomy (DA)) $A = p_2 \times AA + DA$
Content	<p>What is the cost of allocating alliance autonomy to the alliance, compared to keeping the autonomy?</p> <p>Does a decision-maker anticipate that other policymakers and the public of a country come to dislike the constraints which the alliance imposes on its national security policy more?</p> <p>How much efforts and resources (time, money, political process, etc.) are necessary to make a consensus or a decision to provide one unit of alliance autonomy, relative to consuming political capital domestically?</p>
Criteria for judgment	<p>1. Is there any change in the composition of members in the Diet? Has the number of seats for members of the political parties which are more favorable to the alliance increased or decreased?</p> <p>2. Is there any change in the opinion among the population as to the alliance? Has the opinion become more favorable or less favorable? Is there any change in the number of the articles in Japanese newspaper on anti-American sentiment in Japan?</p> <p>3. Are there any social events or political protests related to the alliance? Has the number of such events increased or decreased?</p>
7a. Utility function (with three arguments: security, non-armament goods and domestic autonomy): Security and non-armament goods	
Concept	$\frac{\partial U}{\partial S} / \frac{\partial U}{\partial NR}$ (U (S,NR,DA): utility is a function of S: security, NR: non-armament goods, and DA: domestic autonomy)
Content	<p>How does the increase of security contribute to the increase of the utility for a country compared to the increase of non-armament goods contributing to the increase of the utility of a country?</p> <p>Is the willingness to pay for security (that is, security's "value" in non-armament</p>

	<p>goods) increasing or decreasing?</p> <p>Does value judgment of policymakers change so that security contributes more to the increase of the utility than non-armament goods?</p>
Criteria for judgment	<p>1. Is there any change in the Soviet Union's forces (during the Cold War) or in military situation around Japan? Is there any change in the characteristics of military threats in the white paper on defense of the Japanese government and the section on international situation in the Mid-term Defense Program?</p> <p>2. Is there any change in public opinion on the safety of Japan? (question in the Prime Minister Office's opinion survey: "Considering from the current international situation, do you think that there is the risk that some other country starts a war with Japan, or Japan is entrapped in a war?")</p>
7b. Utility function (with three arguments: security, non-armament goods and domestic autonomy): Security and domestic autonomy	
Concept	$\frac{\partial U}{\partial S} / \frac{\partial U}{\partial DA}$ <p>(U (S, NR, DA): utility is a function of S: security, NR: non-armament goods, and DA: domestic autonomy)</p>
Content	<p>How does the increase of security contribute to the increase of the utility for a country compared to the increase of domestic autonomy contributing to the increase of the utility of a country?</p> <p>Is the willingness to pay for security (that is, security's "value" in domestic autonomy) increasing or decreasing?</p>
Criteria for judgment	<p>1. What kind of arguments do political Rights, Leftists or Centrists make on the security treaty and the security policy? Is there any change in arguments by scholars, political elites, opinion leaders and the media in Japan?</p> <p>2. Has the Japanese become more nationalistic? What kind of argument is a mainstream and popular among the Japanese?</p>
8a. Security function (with two arguments: armaments and alliance): armament	
Concept	$\frac{\partial S}{\partial R}$ <p>(S (R, L): security is a function of R: armament and L: alliance)</p>
Content	<p>How does the increase of armament (buildup of its own security forces) contribute to the increase of security for a country?</p> <p>Is there any change in the effectiveness and efficiency of building up and strengthening its own military forces for increasing security?</p>
Criteria for judgment	----
8b. Security function (with two arguments: armaments and alliance): alliance	
Concept	$\frac{\partial S}{\partial L}$ <p>(S (R, L): security is a function of R: armament and L: alliance)</p>
Content	<p>How does strengthening an alliance relationship contribute to the increase of security for a country?</p> <p>Is there any change in the effectiveness and efficiency of the alliance for increasing security?</p>
Criteria for	(Considering that two purposes of the alliance are to provide deterrence to the



judgment	<p>nuclear forces and large conventional forces)</p> <ol style="list-style-type: none"> <li>1. Has the size and quality of the nuclear forces increased or decreased?</li> <li>2. Has the size and quality of large conventional forces in the Far East increased or decreased?</li> </ol>
9a. Alliance function (armaments and alliance autonomy [first two arguments])	
Concept	$\frac{\partial L}{\partial R}$ <p>(<math>L(R, AA, \sum_i R_i, \sum_i AA_i)</math>): alliance is a function of R: own provision of armament, AA: own provision of alliance autonomy, <math>\sum_i R_i</math>: sum of the armament provided by allies, and <math>\sum_i AA_i</math>: sum of the alliance autonomy provided by allies)</p>
Content	How much armament does a country need to provide to guarantee a membership of an alliance and the full functioning of the alliance including commitment from allies?
Criteria for judgment	<ol style="list-style-type: none"> <li>1. Has the pressure from the U.S. on Japan for more burden-sharing on the provision of armaments increased or decreased?</li> <li>2. Has trade imbalance between the U.S. and Japan increased or decreased?</li> <li>3. What is the trend of the number of the proposed resolutions in the U.S. Congress related to Japan's economy and defense? What kinds of resolutions were proposed? Has the criticism from the U.S. Congresspersons to Japan's low defense spending increased or decreased?</li> </ol>
9b. Alliance function (armaments and alliance autonomy [first two arguments])	
Concept	$\frac{\partial L}{\partial AA}$
Content	How much alliance autonomy does a country need to provide to guarantee a membership of an alliance and the full functioning of the alliance including commitment from allies?
Criteria for judgment	<ol style="list-style-type: none"> <li>1. Has the pressure from the U.S. on Japan for more burden-sharing on the provision of alliance autonomy increased or decreased?</li> <li>2. Has trade imbalance between the U.S. and Japan increased or decreased?</li> <li>3. What is the trend of the number of the proposed resolutions in the U.S. Congress related to Japan's economy and defense?</li> </ol>
10a. Alliance function (sum of armaments and sum of alliance autonomy [last two arguments])	
Concept	$\frac{\partial L}{\partial \sum_i R_i}$
Content	How does the increase of the sum of armament (buildup of military forces) contribute to the strengthening of an alliance relationship?
Criteria for judgment	<ol style="list-style-type: none"> <li>1. Is there any change in the type and size (quality and quantity) of the threats that the alliance is facing?</li> <li>2. Is there any change in the characteristics of the forces (weapons and troops) and strategy on how to use the forces? How flexible and amorphous can the threats become?</li> </ol>

10b. Alliance function (sum of armaments and sum of alliance autonomy [last two arguments])	
Concept	$\frac{\partial L}{\partial \sum_I AA_I}$
Content	How does the increase of the sum of the alliance autonomy (e.g. commitment to a specific action, or provision of military bases) provided by each ally contribute to the strengthening of an alliance relationship?
Criteria for judgment	<ol style="list-style-type: none"> <li>1. Is there any change in the type and size (quality and quantity) of the threats that the alliance is facing?</li> <li>2. Is there any change in the characteristics of the forces (weapons and troops) and strategy on how to use the forces?</li> </ol>

## *Appendix 2 – Alliance contributions variables*

1. Granting the right to station forces in Japan	
Content	How much is the size and the value of the land spaces which the Japanese government provides to the U.S. forces, to satisfy the obligation of Article VI of the security treaty?
Criteria for judgment	Has the number of facilities and acreage for the U.S. Forces in Japan increased or decreased?
2. Host Nation Support	
Content	How much money does the Japanese government pay to the U.S. for supporting the U.S. Forces stationing in Japan?
Criteria for judgment	<p>1. Has the size of the financial support for the U.S. forces in Japan increased or decreased, in an annual budget or in the five-year agreement between the U.S. and Japan?</p> <p>2. Has the scope of the financial support for the U.S Forces in Japan (cost for Japanese workers at the U.S. bases, cost for building facilities, cost for supporting U.S. military members and their families (electricity, water), etc.) increased or decreased?</p>
3. Scope of Japan's role in the Article VI emergency	
Content	The U.S. forces stationing in Japan “protect Japan and maintain international peace and security in the Far East” (Article VI, security treaty). How does the Japanese government prepare to assist the U.S. forces in cases of a military conflict in the Far East outside Japan?
Criteria for judgment	<p>1. Is there any change in the scope of assistance stipulated in the U.S.-Japan Defense Guidelines?</p> <p>2. Is there other agreement with the U.S. other than the U.S.-Japan Defense Guidelines, related to the support for the U.S. in an emergency near Japan?</p> <p>3. When there was an emergency in the Far East, how was the assistance from Japan to the U.S. forces?</p>
4. Scope of Japan's role in the emergency outside the scope of the security treaty	
Content	How does the Japanese government prepare to respond using its Self-Defense Forces to the case other than a direct attack on Japan or an emergency in the Far East?
Criteria for judgment	<p>1. Is there any change in the legal framework for Japan's military's roles in the case other than a direct armed attack against Japan or an emergency in the Far East? Has a new legal framework been made to make it possible for Japan's military to provide the kind of the support which is not provided before?</p> <p>2. If there was such emergency, what was the role of Japan's military forces?</p>
5. Scope of Japan's role in the Article V emergency	
Content	Article V of the security treaty stipulates that the U.S. helps Japan if Japan is attacked. How does the Japanese government prepare to respond in the case of a

	direct attack on Japan, being assisted by the U.S. forces?
Criteria for judgment	<p>1. Is there any change in the National Defense Program Outline about the role of Japan and Japan's actions in response to an armed attack against Japan?</p> <p>2. Is there any change in the scope of assistance stipulated in the U.S.-Japan Defense Guidelines?</p> <p>3. When there was an armed attack against Japan, what was the role of Japan's forces compared to the U.S. forces (that is, division of roles between the U.S. and Japan)?</p>
6. Defense spending	
Content	Is defense spending increasing or decreasing?
Criteria for judgment	<p>1. Has annual defense budget increased or decreased?</p> <p>2. Has the planned projection for the defense budget in the five-year Mid-Term Defense Program increased or decreased?</p> <p>3. Is the ratio of actual or planned defense budget to GDP increased or decreased?</p>



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